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EXTRAORDINARY

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PART II—Section 2

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।

Separate paging is given to this Part in order that it may be filed as a separate compilation

LOK SABHA

The following Bills were introduced in Lok Sabha on 17th June, 1977:—

BILL No 48 OF 1977

A Bill to give effect to the financial proposals of the Central Government for the financial year 1977-78.

BE it enacted by Parliament in the Twenty-eighth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1 (1) This Act may be called the Finance (No 2) Act 1977.

Short title
and com-
mence-
ment.

(2) Save as otherwise provided in this Act, sections 2 to 30 and sections 34 to 39 shall be deemed to have come into force on the 1st day of April, 1977

CHAPTER II

RATES OF INCOME-TAX

2 (1) Subject to the provisions of sub-section (2) and (3), for the assessment year commencing on the 1st day of April, 1977, income-tax shall be charged at the rates specified in Part I of the First Schedule and shall be increased.—

Income-
tax.

(a) in the cases to which Paragraphs A, B, C and D of that Part apply, by a surcharge for purposes of the Union; and

(b) in the cases to which Paragraph E of that Part applies, by a surcharge,

calculated in each case in the manner provided therein.

Provided that where an assessee, being a company, has made, during the financial year commencing on the 1st day of April, 1976, any deposit with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 under the Companies Deposits (Surcharge on Income-tax) Scheme, 1976, then, the surcharge on income-tax payable by the company,— 18 of 1964.

(a) in a case where the amount of the deposit so made is equal to or exceeds the amount of surcharge on income-tax payable by it, shall be nil; and

(b) in a case where the amount of the deposit so made falls short of the amount of surcharge on income-tax payable by it, shall be reduced by the amount of the deposit.

(2) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income, in addition to total income, and the total income exceeds eight thousand rupees, then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of charging income-tax in respect of the total income, and

(b) the income-tax chargeable shall be calculated as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income.

(iii) the amount by which income-tax determined in accordance with sub-clause (i) exceeds the amount of income-tax determined in accordance with sub-clause (ii) shall be the income-tax chargeable in respect of the total income.

(3) In cases to which the provisions of Chapter XII or section 164 of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section (1) or the rates as specified in that Chapter or section, as the case may be. 43 of 1961.

(4) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule

(5) Subject to the provisions of sub-section (6), in cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 30E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule.

Provided that in cases to which the provisions of Chapter XII or section 164 of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be

(6) In the cases to which Sub-Paragraph I or Sub-Paragraph II of Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income, in addition to total income, and the total income exceeds ten thousand rupees, then, in calculating income-tax under the first proviso to sub-section (5) of section 132 of the Income-tax Act or in charging income-tax under sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause (b) (that is to say, as if the net agricultural income were comprised in the total income after the first eight thousand rupees of the total income but without being liable to tax), only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

(b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows —

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if such aggregate income were the total income.

Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause the provisions of clause (ii) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said

Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(ii) the net agricultural income shall be increased by a sum of eight thousand rupees and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A, as if the net agricultural income as so increased were the total income.

Provided that for the purposes of determining the amount of income-tax or "advance tax" in accordance with this sub-clause, the provisions of clause (i) and clause (ii) of the proviso below Sub-Paragraph I or, as the case may be, Sub-Paragraph II of the said Paragraph A and the provisions relating to surcharge on income-tax in the said Sub-Paragraphs shall not apply;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause (i) shall be reduced by the amount of income-tax or, as the case may be, "advance tax" determined in accordance with sub-clause (ii).

Provided that where the sum so arrived at exceeds seventy per cent of the amount by which the total income exceeds ten thousand rupees, the excess shall be disregarded;

(iv) the amount of income-tax or "advance tax" determined in accordance with sub-clause (iii) shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax or, as the case may be, "advance tax" and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

(7) For the purposes of this section and the First Schedule,—

(a) "company in which the public are substantially interested" means a company which is such a company as is referred to in section 108 of the Income-tax Act,

(b) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1977, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income in accordance with the provisions of section 194 of that Act,

(c) "industrial company" means a company which is mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining.

Explanation—For the purposes of this clause, a company shall be deemed to be mainly engaged in the business of generation or distribution of electricity or any other form of power or in the construction of ships or in the manufacture or processing of goods or in mining, if the income attributable to any one or more of the

aforesaid activities included in its total income of the previous year (as computed before making any deduction under Chapter VIA of the Income-tax Act) is not less than fifty-one per cent. of such total income;

(d) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance),

(e) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule,

(f) "tax-free security" means any security of the Central Government issued or declared to be income-tax free, or any security of a State Government issued income-tax free, the income-tax whereon is payable by the State Government;

(g) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings, respectively, assigned to them in that Act.

CHAPTER III

DIRECT TAXES

Income-tax

3 In section 2 of the Income-tax Act, in clause (42A), for the words "sixty months", the words "thirty-six months" shall be substituted with effect from the 1st day of April, 1978

Amend-
ment of
section 2.

4. In section 9 of the Income-tax Act, in sub-section (1),—

Amend-
ment of
section 9.

(a) after clause (vii) and before the *Explanation*, the following proviso shall be inserted, namely:—

"Provided that nothing contained in this clause shall apply in relation to any income by way of fees for technical services payable in pursuance of an agreement made before the 1st day of April, 1976 and approved by the Central Government.";

(b) the *Explanation* below clause (vi) shall be numbered as *Explanation 2* and before that *Explanation* as so numbered, the following *Explanation* shall be inserted, namely:—

"*Explanation 1.*—For the purposes of the foregoing proviso, an agreement made on or after the 1st day of April, 1976 shall be deemed to have been made before that date if the agreement is made in accordance with proposals approved by the Central Government before that date".

5 In section 10 of the Income-tax Act,—

Amend-
ment of
section 10.

(a) in clause (6), in sub-clause (i) after item (a), the following item shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1972, namely:—

“(aa) from his employer, for his children having full time education in any educational institution outside India, in connection with their proceeding to India during vacation;”;

(b) in clause (26A), for the figures, letters and words “1st day of April, 1975”, the figures, letters and words “1st day of April, 1980” shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1975

Amend-
ment of
section 11.

6. In section 11 of the Income-tax Act, in clause (b) of sub-section (2), with effect from the 1st day of April, 1978,—

(a) for sub-clause (u), the following sub-clause shall be substituted, namely:—

“(u) deposited in any account with the Post Office Savings Bank [including deposits made under the Post Office (Time Deposits) Rules, 1970] or a scheduled bank or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank)

Provided that the money so accumulated or set apart may also be deposited, or continue to remain deposited during any previous year commencing before the 1st day of April, 1981 with any other banking company, being a banking company to which the Banking Regulation Act, 1949 applies, or”;

10 of 1949.

(b) after sub-clause (u), the following *Explanation* shall be inserted, namely:—

‘*Explanation.*—For the purposes of sub-clause (ii), “scheduled bank” means the State Bank of India constituted under the State Bank of India Act, 1955, a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959, a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, or any other bank, being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934.’

23 of 1955.

38 of 1959

5 of 1970.

2 of 1934.

Amend-
ment of
section 13.

7 In section 13 of the Income-tax Act, with effect from the 1st day of April, 1978,—

(a) in sub-section (1), in clause (d).—

(i) for the figures, letters and words “1st day of April, 1979”, the figures, letters and words “1st day of April, 1982” shall be substituted;

(ii) for the figures, letters and words “1st day of April, 1978”, the figures, letters and words “1st day of April, 1981” shall be substituted,

(b) in sub-section (5), in clause (a), for sub-clause (ii), the following sub-clause shall be substituted, namely:—

“(ii) deposit in any account with a scheduled bank or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank).

Explanation—In this sub-clause, “scheduled bank” shall have the same meaning as in the *Explanation* at the end of clause (b) of sub-section (2) of section 11.

8. In section 24 of the Income-tax Act, in sub-section (1),—

Amend-
ment of
section 24

(a) in clause (ix), the word “and” occurring at the end shall be omitted;

(b) after clause (x), as so amended, the following *Explanation* shall be inserted, namely —

“*Explanation*—The deduction under this clause shall be made irrespective of whether the period during which the property or, as the case may be, part of the property was vacant precedes or follows the period during which it is let.”

9. In section 32A of the Income-tax Act with effect from the 1st day of April, 1978,—

Amend-
ment of
section
32A.

(a) in sub-section (2),—

(i) in clause (b), for sub-clauses (ii) and (iii), the following sub-clause shall be substituted, namely:—

“(ii) for the purposes of business of construction, manufacture or production of any article or thing, not being an article or thing specified in the list in the Eleventh Schedule:

Provided that in relation to any new machinery or plant installed before the 1st day of July, 1977 in a small-scale industrial undertaking, this sub-clause shall have effect as if the words “not being an article or thing specified in the list in the Eleventh Schedule” had been omitted;”

(ii) in the *Explanation*, for the words, brackets and figure “this sub-section and sub-section (4)”, the words, brackets, figures and letter “this sub-section and sub-sections (2B) and (4)” shall be substituted;

(b) after sub-section (2), the following sub-sections shall be inserted, namely:—

“(2A) The deduction under sub-section (1) shall not be denied in respect of any machinery or plant installed and used mainly for the purposes of business of construction, manufacture or production of any article or thing, not being an article or thing specified in the list in the Eleventh Schedule, by reason only that such machinery or plant is also used for the purposes of business of construction, manufacture or production of any article or thing specified in the said list

(2B) Where any new machinery or plant is installed after the 30th day of June, 1977, but before the 1st day of April, 1982, for the purposes of business of manufacture or production of any article or thing and such article or thing—

(a) is manufactured or produced by using any technology (including any process) or other know-how developed in, or

(b) is an article or thing invented in,

a laboratory owned or financed by the Government, or a laboratory owned by a public sector company or a University,

the provisions of sub-section (1) shall have effect in relation to such machinery or plant as if for the words "twenty-five per cent", the words "thirty-five per cent" had been substituted, if the following conditions are fulfilled, namely:—

(i) the right to use such technology (including any process) or other know-how or to manufacture or produce such article or thing has been acquired from the owner of such laboratory or any person deriving title from such owner;

(ii) the assessee furnishes, along with his return of income for the assessment year for which the deduction is claimed, a certificate from the prescribed authority to the effect that such article or thing is manufactured or produced by using such technology (including any process) or other know-how developed in such laboratory or is an article or thing invented in such laboratory, and

(iii) the machinery or plant is not used for the purpose of business of manufacture or production of any article or thing specified in the list in the Eleventh Schedule

Explanation.—For the purposes of this sub-section,—

(a) "laboratory financed by the Government" means a laboratory owned by any body (including a society registered under the Societies Registration Act, 1860) and financed wholly or mainly by the Government, 21 of 1960.

(b) "public sector company" means any corporation established by or under any Central, State or Provincial Act or a Government company as defined in section 617 of the Companies Act, 1956; 1 of 1956.

(c) "University" means a University established or incorporated by or under a Central, State or Provincial Act and includes an institution declared under section 3 of the University Grants Commission Act, 1956 to be a University for the purposes of that Act; 3 of 1956.

(c) after sub-section (8), the following sub-section shall be inserted, namely:—

"(8A) The Central Government, if it considers necessary or expedient so to do, may, by notification in the Official Gazette, add any article or thing to the list specified in the Eleventh Schedule:

Provided that such addition shall have effect in relation to any machinery or plant installed for the purposes of business of construction, manufacture or production of such article or thing only where such machinery or plant is installed one year after the date of the publication of such notification".

10. In the Income-tax Act, after section 35C, the following section shall be inserted with effect from the 1st day of April, 1978, namely:—

Insertion
of new
section
35CC.

'35CC. (1) Where the assessee, being a company, incurs after the 30th day of June, 1977 any expenditure on any programme of rural development, the assessee shall, in accordance with and subject to the provisions of this section, be allowed a deduction of the amount of such expenditure incurred during the previous year:

Rural
develop-
ment
allowance.

Provided that the approval of the prescribed authority has been obtained by the assessee in respect of such programme before incurring the expenditure.

Explanation —For the purposes of this sub-section,—

(a) "programme of rural development" includes any programme for promoting the social and economic welfare of, or the uplift of, the public in any rural area;

(b) "rural area" means any area, other than an area referred to in item (A) of clause (ii) of the proviso to sub-clause (c) of clause (1) of section 2 or any area specified under item (B) of clause (ii) of that proviso

(2) Where the expenditure referred to in sub-section (1) results in the acquisition or creation of an asset, being building, machinery, plant or furniture, and the assessee does not divest itself of the ownership of such asset before the end of the previous year, no deduction in respect of such expenditure shall be allowed under sub-section (1) but the assessee shall be entitled to the allowance for depreciation in respect of the asset so acquired or created as if such asset was used for the purposes of the business and the provisions of sections 32, 34, 41 and 43 shall, so far as may be, apply accordingly

(3) No deduction shall be allowed in respect of the expenditure referred to in sub-section (1) unless the assessee furnishes, along with the return of income for the assessment year for which the deduction is claimed, a statement of such expenditure in the prescribed form duly signed and verified by an accountant as defined in the *Explanation* below sub-section (2) of section 288 and setting forth such particulars as may be prescribed

(4) Where a deduction under this section is claimed and allowed for any assessment year in respect of any expenditure referred to in sub-section (1), deduction shall not be allowed in respect of such expenditure under any other provision of this Act for the same or any other assessment year.'

11 In section 36 of the Income-tax Act, in sub-section (1), for sub-clause (b) of clause (viii), the following sub-clause shall be substituted with effect from the 1st day of April, 1978, namely:—

Amend-
ment of
section 36.

"(b) in the case of any other financial corporation, twenty-five per cent.,".

12. In section 50 of the Income-tax Act, in clause (2), for the figures, letters and words "1st day of January, 1954", the figures, letters and words "1st day of January, 1964" shall be substituted with effect from the 1st day of April, 1978.

Amend-
ment of
section 50.

Insertion
of new
section
54E.

13. In the Income-tax Act, after section 54D, the following section shall be inserted with effect from the 1st day of April, 1978, namely:—

Capital
gain on
transfer
of capital
assets
not to be
charged
in certain
cases.

‘54E (1) Where the capital gain arises from the transfer of a capital asset, not being a short-term capital asset, (the capital asset so transferred being hereafter in this section referred to as the original asset) and the assessee has, within a period of six months after the date of such transfer, invested or deposited the full value of the consideration or any part thereof received or accruing as a result of such transfer in any specified asset (such specified asset being hereafter in this section referred to as the new asset), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say,—

(a) if the cost of the new asset is not less than the full value of the consideration received or accruing in respect of the original asset, the whole of such capital gain shall not be charged under section 45,

(b) if the cost of the new asset is less than the full value of the consideration received or accruing in respect of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of acquisition of the new asset bears to the full value of such consideration shall not be charged under section 45

Explanation 1.—For the purposes of this sub-section, “specified asset” means any of the following assets, namely:—

(i) securities of the Central Government or a State Government,

(ii) savings certificates as defined in clause (c) of section 2 of the Government Savings Certificates Act, 1959;

46 of 1959.

(iii) units in the Unit Trust of India established under the Unit Trust of India Act, 1963;

52 of 1963.

(iv) debentures specified by the Central Government for the purposes of clause (v) of sub-section (1) of section 80L,

(v) shares in any Indian company which are issued to the public or are listed in a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and any rules made thereunder;

42 of 1956.

(vi) deposits for a period of not less than three years with the State Bank of India established under the State Bank of India Act, 1955 or any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 or any nationalised bank, that is to say, any corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank).

23 of 1955.

38 of 1959.

5 of 1970.

Explanation 2.—“Cost” in relation to any new asset, being a deposit referred to in clause (vi) of *Explanation 1*, means the amount of such deposit

(2) Where the new asset is transferred, or converted (otherwise than by transfer) into money, within a period of three years from the date of its acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such new asset as provided in clause (a) or, as the case may be, clause (b), of sub-section (1) shall be deemed to be income chargeable under the head "Capital gains" relating to capital assets other than short-term capital assets of the previous year in which the new asset is transferred.

14 In section 55 of the Income-tax Act, for the figures, letters and words "1st day of January, 1954", wherever they occur, the figures, letters and words "1st day of January, 1964" shall be substituted with effect from the 1st day of April, 1978

Amendment of section 55.

15. In the Income-tax Act, after section 72, the following section shall be inserted, with effect from the 1st day of April, 1978, namely:—

Insertion of new section 72A.

'72A (1) Where there has been an amalgamation of a company owning an industrial undertaking with another company and the Central Government, on the recommendation of the specified authority, is satisfied that the following conditions are fulfilled, namely:—

Provisions relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in certain cases of amalgamation.

(a) the accumulated loss of the amalgamating company as on the last day of the previous year immediately preceding the previous year in which the amalgamation was effected, exceeds fifty per cent. of the aggregate of the paid-up share capital and reserves, if any, of that company as on that day;

(b) the amalgamating company was not, immediately before such amalgamation, financially viable,

(c) the amalgamation was in the public interest; and

(d) such other conditions as the Central Government may, by notification in the Official Gazette specify, to ensure that the benefit under this section is restricted to amalgamations which would facilitate the rehabilitation or revival of the business of the amalgamating company,

then, the Central Government may make a declaration to that effect, and, thereupon, notwithstanding anything contained in any other provision of this Act, the accumulated loss and the unabsorbed depreciation of the amalgamating company shall be deemed to be the loss or, as the case may be, allowance for depreciation of the amalgamated company for the previous year in which the amalgamation was effected, and the other provisions of this Act relating to set off and carry forward of loss and allowance for depreciation shall apply accordingly.

(2) Notwithstanding anything contained in sub-section (1), the accumulated loss shall not be set off or carried forward and the unabsorbed depreciation shall not be allowed in the assessment of the amalgamated company unless the following conditions are fulfilled, namely:—

(i) during the previous year relevant to the assessment year for which such set off or allowance is claimed, the business of the amalgamating company is carried on by the amalgamated company without any modification or reorganisation or with such modification or reorganisation as may be approved by the Central

Government to enable the amalgamated company to carry on such business more economically or more efficiently;

(ii) the amalgamated company furnishes, along with its return of income for the said assessment year, a certificate from the specified authority to the effect that adequate steps have been taken by that company for the rehabilitation or revival of the business of the amalgamating company.

Explanation.—In this section,—

(a) “accumulated loss” means so much of the loss of the amalgamating company under the head “Profits and gains of business or profession” (not being a loss sustained in a speculation business) which the amalgamating company would have been entitled to carry forward and set off under the provisions of section 72 if the amalgamation had not been effected,

(b) “specified authority” means such authority as the Central Government may, by notification in the Official Gazette, specify for the purposes of this section;

(c) “unabsorbed depreciation” means so much of the allowance for depreciation of the amalgamating company which remains to be allowed and which would have been allowed to the amalgamating company under the provisions of this Act if the amalgamation had not been effected’.

Amend-
ment of
section
80G.

16. In section 80G of the Income-tax Act, in sub-section (4), with effect from the 1st day of April, 1978,—

(a) for the words “two hundred thousand rupees”, the words “five hundred thousand rupees” shall be substituted,

(b) the proviso shall be omitted

Amend-
ment of
section
80HH.

17 In section 80HH of the Income-tax Act, after sub-section (9), the following sub-section shall be inserted with effect from the 1st day of April, 1978, namely:—

“(9A) Where a deduction in relation to the profits and gains of a small-scale industrial undertaking to which section 80HHA applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under this section for the same or any other assessment year.”.

Insertion
of new
section
80HHA

Deduction
in respect
of profits
and gains
from
newly
estab-
lished
small-
scale
industrial
under-
takings
in certain
areas.

18 In the Income-tax Act, after section 80HH, the following section shall be inserted with effect from the 1st day of April, 1978, namely:—

‘80HHA (1) Where the gross total income of an assessee includes any profits and gains derived from a small-scale industrial undertaking to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to twenty per cent thereof

(2) This section applies to any small-scale industrial undertaking which fulfils all the following conditions, namely:—

(i) it begins to manufacture or produce articles after the 30th day of June, 1977 in any rural area;

(ii) it is not formed by the splitting up, or the reconstruction, of a business already in existence;

Provided that this condition shall not apply in respect of any small-scale industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, in the circumstances and within the period specified in that section;

(iii) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose,

(iv) it employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power

Explanation--Where in the case of a small-scale industrial undertaking, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business and the total value of the machinery or plant or part so transferred does not exceed twenty per cent of the total value of the machinery or plant used in the business, then, for the purposes of clause (ii) of this sub-section, the condition specified therein shall be deemed to have been fulfilled

(3) The deduction specified in sub-section (1) shall be allowed in computing the total income in respect of each of the ten assessment years beginning with the assessment year relevant to the previous year in which the small-scale industrial undertaking begins to manufacture or produce articles.

(4) Where the assessee is a person, other than a company or a co-operative society, the deduction under sub-section (1) shall not be admissible unless the accounts of the small-scale industrial undertaking for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant as defined in the *Explanation* below sub-section (2) of section 288 and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant.

(5) The provisions of sub-sections (6) and (7) of section 80HH shall, so far as may be, apply in relation to the computation of the profits and gains of a small-scale industrial undertaking for the purposes of the deduction under this section as they apply in relation to the computation of the profits and gains of an industrial undertaking for the purposes of the deduction under that section

(6) In a case where the assessee is entitled also to the deduction under section 80J in relation to the profits and gains of a small-scale industrial undertaking to which this section applies, effect shall first be given to the provisions of this section

(7) Where a deduction in relation to the profits and gains of a small-scale industrial undertaking to which section 80HH applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under this section for the same or any other assessment year.

(8) Nothing contained in this section shall apply in relation to any small-scale industrial undertaking engaged in mining.

Explanation—For the purposes of this section,—

(a) "rural area" shall have the same meaning as in clause (b) of the *Explanation* to sub-section (1) of section 35CC,

(b) an industrial undertaking shall be deemed to be a small-scale industrial undertaking, if the aggregate value of the machinery and plant (other than tools, jigs, dies and moulds) installed, as on the last day of the previous year, for the purposes of the business of the undertaking does not exceed ten lakh rupees; and for this purpose the value of any machinery or plant shall be,—

(i) in the case of any machinery or plant owned by the assessee, the actual cost thereof to the assessee; and

(ii) in the case of any machinery or plant hired by the assessee, the actual cost thereof as in the case of the owner of such machinery or plant.'

Substitution of new section for section 80RRA.

Deduction in respect of remuneration received for services rendered outside India.

19 For section 80RRA of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1978, namely:—

'80RRA. (1) Where the gross total income of an individual who is a citizen of India includes any remuneration received by him in foreign currency from any employer (being a foreign employer or an Indian concern) for any service rendered by him outside India, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the individual, a deduction from such remuneration of an amount equal to fifty per cent thereof:

Provided that where the individual renders continuous service outside India under or for such employer for a period exceeding thirty-six months, no deduction under this section shall be allowed in respect of the remuneration for such service relating to any period after the expiry of the thirty-six months aforesaid.

(2) The deduction under this section shall be allowed—

(i) in the case of an individual who is or was, immediately before undertaking such service, in the employment of the Central Government or any State Government, only if such service is sponsored by the Central Government;

(ii) in the case of any other individual, only if he is a technician and the terms and conditions of his service outside India are approved in this behalf by the Central Government or the prescribed authority.

Explanation.—For the purposes of this section—

(a) "foreign currency" shall have the meaning assigned to it in the Foreign Exchange Regulation Act, 1973;

(b) "foreign employer" means,—

(i) the Government of a foreign State; or

(ii) a foreign enterprise, or

(iii) any association or body established outside India;

(c) "technician" means a person having specialised knowledge and experience in—

(i) constructional or manufacturing operations or mining or the generation or distribution of electricity or any other form of power; or

(ii) agriculture, animal husbandry, dairy farming, deep sea fishing or ship building; or

(iii) public administration or industrial or business management; or

(iv) accountancy; or

(v) any field of natural or applied science (including medical science) or social science; or

(vi) any other field which the Board may prescribe in this behalf,

who is employed in a capacity in which such specialised knowledge and experience are actually utilised'.

20 In section 104 of the Income-tax Act, for sub-section (4), the following sub-section and *Explanation* shall be substituted with effect from the 1st day of April, 1978, namely.—

Amendment of section 104

"(4) Without prejudice to the provisions of section 108, nothing contained in this section shall apply to—

(a) an Indian company whose business consists mainly in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power,

(b) a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India.

Explanation—For the purposes of clause (a) of this sub-section, the business of a company shall be deemed to consist mainly in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power, if the income attributable to any of the aforesaid activities included in its gross total income for the relevant previous year is not less than fifty-one per cent of such total income'.

21 In Section 109 of the Income-tax Act, with effect from the 1st day of April, 1978,—

Amendment of section 109.

(a) clause (ia) shall be omitted;

(b) in clause (iii),—

(i) in sub-clause (1), for the words “an industrial company or a consultancy service company”, the words “a consultancy service company” shall be substituted;

(ii) for sub-clause (3), the following sub-clause shall be substituted, namely:—

“(3) in the case of an Indian company, not being an Indian company referred to in clause (a) of sub-section (4) of section 104 or a consultancy service company, a part of whose gross total income consists of profits and gains attributable to—

(i) the business of construction of ships or of manufacture or processing of goods or of mining or of generation or distribution of electricity or any other form of power, or

(ii) the business of provision of technical know-how, or of rendering services in connection with the provision of technical know-how, to other persons—

(a) in relation to that part of its gross total income as is attributable to the business referred to in item (i) of this sub-clause Nil;

(b) in relation to that part of its gross total income as is attributable to the business referred to in item (ii) of this sub-clause 45%;

(c) in relation to the remaining part of its gross total income—

(1) if it is an investment company or a company which satisfies the conditions specified in sub-clause (4)(a) of this clause 90%;

(2) in any other case 60%.

Explanation.—The provisions of this Chapter shall apply as if each of the aforesaid parts of the gross total income of the company were the gross total income of the company in relation to that part and as if the amount of dividends actually distributed and the distributable income were also similarly apportioned for the purposes of section 104 and this section.”.

Amend-
ment of
section
115A.

22 In section 115A of the Income-tax Act, with effect from the 1st day of April, 1978,—

(a) in sub-section (1), for the words, brackets and figure “Subject to the provisions of sub-section (2)”, the words, brackets, figures and letter “Subject to the provisions of sub-sections (1A) and (2)” shall be substituted,

(b) after sub-section (1), the following sub-section shall be inserted, namely.—

“(1A) Where the royalty referred to in clause (b) of sub-section (1) is in consideration for the transfer of all or any rights

(including the granting of a licence) in respect of copyright in any book to an Indian concern, the provisions of sub-section (1) shall apply in relation to such royalty as if the words "and approved by the Central Government" occurring in the said clause had been omitted:

Provided that such book is on a subject, the books on which are permitted, according to the Import Trade Control Policy of the Government of India for the period commencing from the 1st day of April, 1977 and ending with the 31st day of March, 1978, to be imported into India under an Open General Licence.

Explanation—In this sub-section, "Open General Licence" means an Open General Licence issued by the Central Government in pursuance of the Imports (Control) Order, 1955.

23 In section 155 of the Income-tax Act, after sub-section (10), the following sub-section shall be inserted with effect from the 1st day of April, 1978, namely:—

Amend-
ment of
section
155.

"(10A) Where in the assessment for any year, a capital gain arising from the transfer of a capital asset, not being a short-term capital asset, is charged to tax and within a period of six months after the date of such transfer, the assessee has made any investment or deposit in any specified asset within the meaning of *Explanation 1* to sub-section (1) of section 54E, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of the capital gain not chargeable to tax under the provisions of section 54E, and the provisions of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (7) of that section being reckoned from the date of the assessment".

24. In section 194 of the Income-tax Act, with effect from the 1st day of October, 1977,—

Amend-
ment of
section
194.

(a) in the proviso, for the words "Provided that", the words "Provided further that" shall be substituted,

(b) before the proviso as so amended, the following proviso shall be inserted, namely:—

"Provided that no such deduction shall be made in the case of any shareholder, not being a company, if—

(a) the shareholder is resident in India;

(b) the amount of such dividend does not exceed two hundred and fifty rupees; and

(c) the shareholder furnishes to the person responsible for paying the dividend a statement in writing in the prescribed form and verified in the prescribed manner declaring that his estimated total income of the previous year in which such dividend is to be included under the provisions of section 8 will be less than the minimum liable to income-tax."

Insertion
of new
section
206B.

25. In the Income-tax Act, after section 206A and before the heading "C.—Advance payment of tax", the following section shall be inserted with effect from the 1st day of October, 1977, namely:—

Person
paying
dividend
to certain
residents
without
deduction
of tax to
furnish
prescribed
return.

"206B. Any person responsible for paying any dividend referred to in section 194 shall prepare, and within thirty days from the 31st day of March in each year, deliver or cause to be delivered to the Income-tax Officer in the prescribed form and verified in the prescribed manner, a return in writing showing—

(a) the name and address of every person who has furnished to him a statement under the first proviso to section 194;

(b) the amount of the dividend paid or distributed during the financial year to each such person; and

(c) such other particulars as may be prescribed.'.

Amend-
ment of
section
208.

26 In section 208 of the Income-tax Act, in sub-section (2), for clause (c), the following clause shall be substituted with effect from the 1st day of September, 1977, namely:—

"(c) in any other case—Rs 10,000."

Amend-
ment of
section
273

27. In section 273 of the Income-tax Act, with effect from the 1st day of September, 1977,—

(a) in clause (a), for the words and figures "has furnished under section 212", the words, brackets and figures "has furnished under sub-section (1) or sub-section (2) or sub-section (3) of section 212" shall be substituted;

(b) after clause (a), the following clause shall be inserted, namely:—

"(aa) has furnished under sub-section (3A) of section 212 an estimate of the advance tax payable by him which he knew or had reason to believe to be untrue, or";

(c) after clause (i), the following clause shall be inserted, namely:—

"(ia) which, in the case referred to in clause (aa), shall not be less than ten per cent but shall not exceed one and a half times the amount by which the tax actually paid during the financial year immediately preceding the assessment year under the provisions of Chapter XVII-C falls short of seventy-five per cent. of the assessed tax as defined in sub-section (5) of section 215;";

(d) the following *Explanation* shall be inserted at the end, namely:—

"*Explanation.*—For the purposes of clause (ia), the amount paid by the assessee on or before the date extended by the Commissioner under the proviso to sub-section (3A) of section 212 shall, where the date so extended falls beyond the financial year immediately preceding the assessment year, also be regarded as tax actually paid during that financial year."

28 In the Income-tax Act, after the Tenth Schedule, the following Schedule shall be inserted with effect from the 1st day of April 1970 namely:—

Insertion
of new
Eleventh
Schedule.

'THE ELEVENTH SCHEDULE

(See section 32A)

List of articles or things

1. Beer, wine and other alcoholic spirits.
2. Tobacco and tobacco preparations, such as, cigars and cheroots, cigarettes, biris, smoking mixtures for pipes and cigarettes, chewing tobacco and snuff.
3. Cosmetics and toilet preparations
4. Tooth paste, dental cream, tooth powder and soap.
5. Aerated waters in the manufacture of which blended flavouring concentrates in any form are used
6. Confectionery and chocolates.
7. Refrigerating and air-conditioning appliances and machinery (including refrigerators and air-conditioners).
8. Gramophones, including record players, and gramophone records.
9. Broadcast television receiver sets, radios (including transistor sets); radiograms and tape recorders (including cassette recorders and tape decks).
10. Cinematograph films and projectors.
11. Photographic apparatus and goods
12. Watches.
13. Electric fans
14. Domestic electrical appliances, not falling under any other item in this list.

Explanation —“Domestic electrical appliances” means electrical appliances normally used in the household and similar appliances used in places, such as, hotels, restaurants, hostels, offices, educational institutions and hospitals
15. Household furniture, utensils, crockery and cutlery not falling under any other item in this list.
16. Pressure cookers
17. Vacuum flasks and other vacuum vessels.
18. Tableware and sanitaryware.
19. Glass and glassware.

20. Chinaware and procelainware.
21. Mosaic tiles and glazed tiles
22. Organic surface active agents; surface active preparations and washing preparations whether or not containing soap.
23. Synthetic detergents.
24. Office machines and apparatus such as typewriters, calculating machines, cash registering machines, cheque writing machines, intercom machines and teleprinters

Explanation.—The expression "Office machines and apparatus" includes all machines and apparatus used in offices, shops, factories, workshops, educational institutions, railway stations, hotels and restaurants for doing office work, for data processing and for transmission and reception of messages

25. Computers, including central processing units and peripheral devices
26. Steel furniture, whether made partly or wholly of steel.
27. Safes, strong boxes, cash and deed boxes and strong room doors.
28. Motor cars, motor cycles, scooters and other mopeds.
29. Forklift trucks and platform trucks.
30. Latex foam sponge
31. Pigments, colours, paints, enamels, varnishes, blacks and cellulose lacquers.
32. Crown corks, or other fittings of cork, rubber, polyethylene or any other material.
33. Pilfer-proof caps for packaging or other fittings of cork, rubber, polyethylene or any other material
34. Amplifiers or any other apparatus used for addressing the public.'

Consequ-
ential
amend-
ments to
certain
sections.

29. (1) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act, namely:—

(a) in section 44D, in the *Explanation*,—

(i) in clause (a), for the words, brackets and figures "the *Explanation* to clause (vu) of sub-section (1) of section 9", the words, figures and brackets "*Explanation 2*, to clause (vii) of sub-section (1) of section 9" shall be substituted;

(ii) in clause (c), for the words, brackets and figures "the *Explanation* to clause (vi) of sub-section (1) of section 9", the words, figures and brackets "*Explanation 2*, to clause (vi) of sub-section (1) of section 9" shall be substituted;

(b) in section 115A, in the *Explanation* below sub-section (1),—

(i) in clause (a), for the words, brackets and figures “the *Explanation* to clause (vii) of sub-section (1) of section 9”, the words, figures and brackets “*Explanation 2*, to clause (vii) of sub-section (1) of section 9” shall be substituted;

(ii) in clause (c), for the words, brackets and figures “the *Explanation* to clause (vi) of sub-section (1) of section 9”, the words, brackets and figures “*Explanation 2* to clause (vi) of sub-section (1) of section 9” shall be substituted

(2) The following amendments (being amendments of a consequential nature) shall be made in the Income-tax Act with effect from the 1st day of April, 1978, namely:—

(a) in section 45, for the figures, letters and word “54B and 54D”, the figures, letters and word “54B, 54D and 54E” shall be substituted;

(b) in sub-section (3) of section 80A, after the word, figures and letters “section 80HH”, the words, figures and letters “or section 80HHA” shall be inserted;

(c) in section 80J, after the word, figures and letters “section 80HH”, at both the places where they occur, the words, figures and letters “or section 80HHA” shall be inserted,

(d) in sub-section (3) of section 80P,—

(i) for the words, figures and letters “section 80HH or section 80J”, the words, figures and letters “section 80HH or section 80HHA or section 80J” shall be substituted;

(ii) for the words, figures and letters “section 80HH, section 80J”, the words, figures and letters “section 80HH, section 80HHA, section 80J” shall be substituted;

(e) in sub-section (2) of section 80QQ,—

(i) for the words, figures and letters “section 80HH or section 80J”, the words, figures and letters “section 80HH or section 80HHA or section 80J” shall be substituted;

(ii) for the words, figures and letters “section 80HH, section 80J”, the words, figures and letters “section 80HH, section 80HHA, section 80J” shall be substituted,

(f) in the Ninth Schedule, for the brackets, words, figures and letters “[See section 32(1)(vi) and section 32A(2)(b)(ii)]”, the brackets, words, figures and letters “[See section 32(1)(vi) and section 80M(1)(a)(i)]” shall be substituted

Wealth-tax

66 of 1976. 30. In the Wealth-tax Act, 1957, for Part I of Schedule I [being the Part as substituted, with effect from the 1st day of April, 1977, by sub-clause (a) of clause (6) of section 27 of the Finance Act, 1976], the following Part shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1977, namely:—

Amend-
ment of
Act 27 of
1957.

"PART I

(1) In the case of every individual or Hindu undivided family, not being a Hindu undivided family to which item (2) of this Part applies,—

Rate of tax

- (a) where the net wealth does not exceed Rs 2,50,000 $\frac{1}{2}$ per cent. of the net wealth ;
- (b) where the net wealth exceeds Rs. 2,50,000 but does not exceed Rs. 5,00,000 Rs. 1,250 *plus* 1 per cent. of the amount by which the net wealth exceeds Rs. 2,50,000 ;
- (c) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000 Rs. 3,750 *plus* 2 per cent. of the amount by which the net wealth exceeds Rs. 5,00,000 ;
- (d) where the net wealth exceeds Rs. 10,00,000 but does not exceed Rs. 15,00,000 Rs. 13,750 *plus* $2\frac{1}{2}$ per cent. of the amount by which the net wealth exceeds Rs. 10,00,000 ;
- (e) where the net wealth exceeds Rs. 15,00,000 Rs. 26,250 *plus* $3\frac{1}{2}$ per cent. of the amount by which the net wealth exceeds Rs. 15,00,000 ;

Provided that for the purposes of this item,—

(i) no wealth-tax shall be payable where the net wealth does not exceed Rs. 1,00,000,

(ii) the wealth-tax payable shall, in no case, exceed 5 per cent of the amount by which the net wealth exceeds Rs. 1,00,000.

(2) In the case of every Hindu undivided family which has at least one member whose net wealth assessable for the assessment year exceeds Rs. 1,00,000,—

Rate of tax

- (a) where the net wealth does not exceed Rs. 2,50,000 $1\frac{1}{2}$ per cent. of the net wealth ;
- (b) where the net wealth exceeds Rs. 2,50,000 but does not exceed Rs. 5,00,000 Rs. 3,750 *plus* 2 per cent. of the amount by which the net wealth exceeds Rs. 2,50,000 ;
- (c) where the net wealth exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000 Rs. 8,750 *plus* $2\frac{1}{2}$ per cent. of the amount by which the net wealth exceeds Rs. 5,00,000 ;
- (d) where the net wealth exceeds Rs. 10,00,000 Rs. 21,250 *plus* $3\frac{1}{2}$ per cent. of the amount by which the net wealth exceeds Rs. 10,00,000 ;

Provided that for the purposes of this item,—

(i) no wealth-tax shall be payable where the net wealth does not exceed Rs. 1,00,000,

(ii) the wealth-tax payable shall, in no case, exceed 5 per cent of the amount by which the net wealth exceeds Rs. 1,00,000."

CHAPTER IV

INDIRECT TAXES

- 31.** The Customs Tariff Act, 1975 (hereinafter referred to as the Customs Tariff Act), shall be amended in the manner specified in the Second Schedule Amendment of Act 51 of 1975.
- 32.** The Central Excises and Salt Act, 1944 (hereinafter referred to as the Central Excises Act), shall be amended in the manner specified in the Third Schedule. Amendment of Act 1 of 1944.
- 33.** The Additional Duties of Excise (Goods of Special Importance) Act, 1957 (hereinafter referred to as the Additional Duties of Excise Act) shall be amended in the manner specified in the Fourth Schedule. Amendment of Act 58 of 1957.

CHAPTER V

MISCELLANEOUS

- 34.** In the Khadi and Village Industries Commission Act, 1956, in Chapter V, before section 25, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1962, namely:— Amendment of Act 61 of 1956

43 of 1961. “24A. Notwithstanding anything contained in the Income-tax Act, 1961, the Commission shall not be liable to pay any income-tax on its income, profits or gains” Exemption from liability to pay income-tax

- 35.** In section 23 of the Finance Act, 1973, for the words “four previous years”, the words “six previous years”, shall be substituted. Amendment of Act 21 of 1973.

- 36.** In the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974,— Amendment of Act 38 of 1974.

(a) in section 3,—

(i) in sub-section (1), for the words, figures and letters “for the assessment year commencing on the 1st day of April, 1975, the assessment year commencing on the 1st day of April, 1976 and the assessment year commencing on the 1st day of April, 1977,” the words, figures, letters and brackets “for the assessment year commencing on the 1st day of April, 1975 and every subsequent assessment year (not being an assessment year commencing on or after the 1st day of April, 1980),” shall be substituted;

(ii) after sub-section (2), the following sub-section shall be inserted with effect from the 1st day of September, 1977, namely:—

“(3) Notwithstanding anything contained in sub-section (1),—

(a) an individual specified in sub-clause (i) of clause (a) of sub-section (2), or

(b) any person specified in clause (b) of sub-section (2) who is assessable under the Income-tax Act in respect of the total income of the individual aforesaid.

shall not be liable to make any compulsory deposit for any assessment year where, in either case, such individual is more than seventy years of age on the first day of the financial year immediately preceding that assessment year.”;

(b) in section 4, in sub-section (1), for clause (u), the following clause shall be substituted, namely:—

“(u) for the assessment year commencing on the 1st day of April, 1977 and every subsequent assessment year (not being an assessment year commencing on or after the 1st day of April, 1980), at the rates specified in Paragraph B of the Schedule.”.

Amend-
ment of
Act 47 of
1974.

37. In the Oil Industry (Development) Act, 1974, in Chapter V, before section 23, the following section shall be inserted and shall be deemed always to have been inserted, namely:—

Exemption
from
liability
to pay
income-
tax

“22A. Notwithstanding anything contained in the Income-tax Act, 1961, the Board shall not be liable to pay any income-tax on its income, profits or gains”

43 of 1961.

Amend-
ment of
Act 8 of
1976

38. In the Voluntary Disclosure of Income and Wealth Act, 1976, with effect from the 1st day of April, 1976,—

(a) in section 14,—

(i) in sub-section (5), in the *Explanation*, for the words “For the purposes of this sub-section”, the words, brackets, figure and letter “For the purposes of this sub-section and sub-section (5A)” shall be deemed to have been substituted;

(u) after sub-section (5), the following sub-sections shall be deemed to have been inserted, namely:—

“(5A) A declarant who has not paid, in accordance with the provisions of section 5, the tax chargeable in respect of the income of the previous year or years for which the declaration has been made shall, notwithstanding anything contained in sub-section (5), be entitled to the immunity provided under sub-section (1) if, before the 1st day of January, 1978, the declarant—

(i) pays the amount of such tax remaining unpaid, and

(ii) pays simple interest at the rate of twelve per cent. per annum on the amount of such tax remaining unpaid on the 31st day of March, 1976, from the 1st day of April, 1976 to the date of payment of such tax.

(5B) The provisions of the Income-tax Act and any rules made thereunder shall, so far as may be, apply to the interest payable under sub-section (5A) as if such interest were interest payable under sub-section (2) of section 220 of that Act.”;

(iii) in sub-section (6), for the words, figures and brackets "in accordance with the provisions of section 5, read with sub-section (5) of this section", the words, figures, brackets and letter "in accordance with the provisions of section 5, read with sub-section (5) or, as the case may be, in accordance with the provisions of sub-section (5A)" shall be deemed to have been substituted;

(b) in section 15,—

(i) in sub-section (5), in the *Explanation*, for the words "For the purposes of this sub-section", the words, brackets, figure and letter "For the purposes of this sub-section and sub-section (5A)" shall be deemed to have been substituted;

(ii) after sub-section (5), the following sub-sections shall be deemed to have been inserted, namely. —

"(5A) A declarant—

(a) who has not paid, in accordance with the provisions of section 5, the wealth-tax chargeable in respect of the net wealth for the assessment year or years for which the declaration has been made, or

(b) who has not invested in the securities referred to in sub-section (3) of section 3 within the time specified in sub-section (4) of section 5 the sum specified in sub-section (6); or

(c) who has neither so paid such wealth-tax nor so invested such sum,

shall, notwithstanding anything contained in sub-section (5), be entitled to the immunity provided under sub-section (1), if the declarant—

(i) in a case falling under clause (a), pays before the 1st day of January, 1978 (hereafter in this sub-section referred to as the said date) the amount of such wealth-tax remaining unpaid and also simple interest at the rate of twelve per cent per annum on the amount of such wealth-tax remaining unpaid on the 31st day of March, 1976, from the 1st day of April, 1976 to the date of payment of such wealth-tax;

(ii) in a case falling under clause (b), invests before the said date in the securities aforesaid the sum specified in sub-section (6) or, as the case may be, the amount which falls short of the sum required to be invested,

(iii) in a case falling under clause (c), pays before the said date the amount of such wealth-tax remaining unpaid and also simple interest at the rate of twelve per cent per annum on the amount of wealth-tax remaining unpaid on the 31st day of March, 1976, from the 1st day of April, 1976 to the date of payment of such wealth-tax and invests before the said date in the

securities aforesaid the sum specified in sub-section (6) or, as the case may be, the amount which falls short of the sum required to be invested.

(5B) The provisions of the Wealth-tax Act and any rules made thereunder shall, so far as may be, apply to the interest payable under sub-section (5A) as if such interest were interest payable under sub-section (2) of section 31 of the Wealth-tax Act”;

(iii) in sub-section (7), for the words, figures and brackets “in accordance with the provisions of section 5, read with sub-section (5) of this section”, the words, figures, brackets and letter “in accordance with the provisions of section 5, read with sub-section (5) or, as the case may be, in accordance with the provisions of sub-section (5A)” shall be deemed to have been substituted.

Amend-
ment of
Income-
tax Act,
etc., to
provide
for a new
appellate
authority
there-
under.

39. (1) The amendments directed in the Fifth Schedule, being amendments to provide for a new appellate authority under the Income-tax Act, the Wealth-tax Act, 1957, the Gift-tax Act, 1958, the Companies (Profits) Surtax Act, 1964 and the Interest-tax Act, 1974 and for matters connected therewith, shall be made in the said Acts.

27 of 1957.
18 of 1958
7 of 1964.
45 of 1974.

(2) For the removal of doubts it is hereby declared that any action required to be taken, after the commencement of this section, in relation to any appeal disposed of by an Appellate Assistant Commissioner or a Commissioner before such commencement, under any Act referred to in sub-section (1), may be taken as if the amendments directed to be made in that Act by sub-section (1) had not been made.

(3) This section shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint

Repeal.

40. Sections 2 and 4 of the Finance Act, 1977 are hereby repealed and shall be deemed never to have been enacted.

11 of 1977.

Declaration under the Provisional Collection of Taxes Act, 1931.

It is hereby declared that it is expedient in the public interest that the provisions of clauses 31, 32 and 33 of this Bill shall have immediate effect under the Provisional Collection of Taxes Act, 1931.

16 of 1931.

THE FIRST SCHEDULE

(See section 2)

PART I

INCOME-TAX AND SURCHARGE ON INCOME-TAX

*Paragraph A**Sub-Paragraph I*

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vi) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

- | | |
|--|---|
| (1) where the total income does not exceed Rs 8,000 | <i>Nil</i> ; |
| (2) where the total income exceeds Rs. 8,000 but does not exceed Rs 15,000 | 15 per cent of the amount by which the total income exceeds Rs. 8,000; |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs 20,000 | Rs. 1,050 <i>plus</i> 18 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 1,950 <i>plus</i> 25 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 3,200 <i>plus</i> 30 per cent of the amount by which the total income exceeds Rs. 25,000; |
| (6) where the total income exceeds Rs 30,000 but does not exceed Rs. 50,000 | Rs. 4,700 <i>plus</i> 40 per cent of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs 50,000 but does not exceed Rs 70,000 | Rs. 12,700 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs 50,000; |
| (8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000 | Rs. 22,700 <i>plus</i> 55 per cent. of the amount by which the total income exceeds Rs 70,000, |
| (9) where the total income exceeds Rs. 1,00,000 | Rs. 39,200 <i>plus</i> 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000; |

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1977 exceeds Rs 8,000,—

Rates of income-tax

- (1) where the total income does not exceed Rs. 8,000 *Nil*;
- (2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 18 per cent. of the amount by which the total income exceeds Rs. 8,000;
- (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 Rs. 1,260 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 15,000;
- (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 Rs. 2,510 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 20,000;
- (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 Rs. 4,010 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 25,000;
- (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 Rs. 6,010 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
- (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 Rs. 16,010 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 50,000;
- (8) where the total income exceeds Rs. 70,000 Rs. 27,010 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 70,000

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

- (1) where the total income does not exceed Rs. 10,000 15 per cent. of the total income;
- (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
- (3) where the total income exceeds Rs. 20,000 Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

*Paragraph C**Sub-Paragraph I*

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

Rates of income-tax

- (1) where the total income does not exceed Rs. 10,000 *Nil*;
- (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 5 per cent. of the amount by which the total income exceeds Rs. 10,000;
- (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 Rs. 750 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000;
- (4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 Rs. 2,500 *plus* 15 per cent. of the amount by which the total income exceeds Rs. 50,000;
- (5) where the total income exceeds Rs. 1,00,000 Rs. 10,000 *plus* 24 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

Rates of income-tax

- (1) where the total income does not exceed Rs. 10,000 *Nil*;
- (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 4 per cent. of the amount by which the total income exceeds Rs. 10,000;
- (3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 Rs. 600 *plus* 7 per cent. of the amount by which the total income exceeds Rs. 25,000;

(4) where the total income exceeds Rs. 2,350 *plus* 13 per cent. of the amount
Rs. 50,000 but does not exceed Rs. by which the total income exceeds
1,00,000 Rs. 50,000;

(5) where the total income exceeds Rs. 8,850 *plus* 22 per cent. of the amount
Rs. 1,00,000 by which the total income exceeds
Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax

Explanation.—For the purposes of this Paragraph, “registered firm” includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate herebefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of ten per cent. of such income-tax

Paragraph E

In the case of a company,—

Rates of income-tax

I In the case of a domestic company,—

(1) where the company is a company in which the public are substantially interested,—

(i) in a case where the total income 45 per cent. of the total income;
does not exceed Rs. 1,00,000

(ii) in a case where the total income 55 per cent. of the total income;
exceeds Rs. 1,00,000

(2) where the company is not a company in which the public are substantially interested,—

(i) in the case of an industrial company,—

(a) where the total income does not 55 per cent. of the total income;
exceed Rs. 2,00,000

(b) where the total income exceeds 60 per cent. of the total income;
Rs. 2,00,000

(ii) in any other case 65 per cent. of the total income :

Provided that—

(i) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs. 1,00,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 1,00,000;

(ii) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs. 2,00,000 (the income of Rs. 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs. 2,00,000

II. In the case of a company other than a domestic company,—

(i) on so much of the total income as consists of—

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government 50 per cent.;

(ii) on the balance, if any, of the total income 70 per cent.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART II

Rates for deduction of tax at source in certain cases

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to deduction at the following rates:—

	Income-tax	
	Rate of income-tax	Rate of surcharge
1. In the case of a person other than a company—		
(a) where the person is resident in India—		
(i) on income by way of interest other than "Interest on securities"	10 per cent.	Nil;
(ii) on income by way of winnings from lotteries and crossword puzzles	30 per cent.	4·5 per cent.;
(iii) on income by way of insurance commission	10 per cent.	Nil,
(iv) on any other income (excluding interest payable on a tax-free security)	20 per cent.	3 per cent.;
(b) where the person is not resident in India—		
(i) on the whole income (excluding interest payable on a tax-free security)	income-tax at 30 per cent. and surcharge at 4·5 per cent. of the amount of the income, or income-tax and surcharge on income-tax in respect of the income at the rates prescribed in Sub-Paragraph I of Paragraph A of Part III of this Schedule, if such income had been the total income, whichever is higher;	
(ii) on income by way of interest payable on a tax-free security	15 per cent.	2·25 per cent.
2. In the case of a company—		
(a) where the company is a domestic company—		
(i) on income by way of interest other than "Interest on securities"	20 per cent.	1 per cent.;

	Income-tax	
	Rate of income-tax	Rate of surcharge
(ii) on any other income (excluding interest payable on a tax-free security)	22 per cent.	1 per cent.;
(b) where the company is not a domestic company—		
(i) on income by way of dividends payable by any domestic company	25 per cent	Nil;
(ii) on income by way of royalty payable by an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copy-right in any book on a subject referred to in the proviso to sub-section (1A) of section 115A of the income-tax Act, to the Indian concern.	40 per cent	Nil;
(iii) on income by way of royalty [not being royalty of the nature referred to in sub-item b(ii)] payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government,—		
(A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976	50 per cent	25 per cent.;
(B) where the agreement is made after the 31st day of March, 1976—		
(i) on so much of the amount of such income as consists of lump sum consideration for the transfer outside India of, or the imparting of information outside India in respect of, any data, documentation, drawing or specification relating to any patent, invention, model, design, secret formula or process, or trade mark or similar property	20 per cent.	Nil,
(2) on the balance, if any, of such income	40 per cent.	Nil;
(iv) on income by way of fees for technical services payable by an Indian concern in pursuance of an agreement made by it with the Indian concern and which has been approved by the Central Government—		
(A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976	50 per cent.	25 per cent.;

(B) where the agreement is made after the 31st day of March, 1976	40 per cent.	<i>Nil</i> ;
(v) on income by way of interest payable on a tax-free security	44 per cent.	2 2 per cent.;
(vi) on any other income	70 per cent.	3.5 per cent.;

PART III

Rates for calculating or charging income-tax in certain cases, deducting income-tax from income chargeable under the head "Salaries" or any payment referred to in sub-section (9) of section 80E and computing "advance tax"

In cases in which income-tax has to be calculated under the first proviso to sub-section (5) of section 132 of the Income-tax Act or charged under sub-section (4) of section 172 or sub-section (2) of section 174 or section 175 or sub-section (2) of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or deducted under sub-section (9) of section 80E of the said Act from any payment referred to in the said sub-section (9) or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" (not being "advance tax" in respect of any income chargeable to tax under Chapter XII or section 164 of the Income-tax Act at the rates as specified in that Chapter or section), shall be so calculated, charged, deducted or computed at the following rate or rates:—

*Paragraph A**Sub-Paragraph I*

In the case of every individual or Hindu undivided family or unregistered firm or other association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause (vi) of clause (31) of section 2 of the Income-tax Act, not being a case to which Sub-Paragraph II of this Paragraph or any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 8,000	<i>Nil</i> ;
(2) where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000	15 per cent. of the amount by which the total income exceeds Rs. 8,000;
(3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000	Rs. 1,050 plus 18 per cent. of the amount by which the total income exceeds Rs. 15,000;
(4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000	Rs. 1,950 plus 25 per cent. of the amount by which the total income exceeds Rs. 20,000;
(5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000	Rs. 3,200 plus 30 per cent. of the amount by which the total income exceeds Rs. 25,000;

- | | |
|--|---|
| (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 | Rs. 4,700 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 30,000; |
| (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 | Rs. 12,700 <i>plus</i> 50 per cent. of the amount by which the total income exceeds Rs. 50,000; |
| (8) where the total income exceeds Rs. 70,000 but does not exceed Rs. 1,00,000 | Rs. 22,700 <i>plus</i> 55 per cent. of the amount by which the total income exceeds Rs. 70,000; |
| (9) where the total income exceeds Rs. 1,00,000 | Rs. 39,200 <i>plus</i> 60 per cent. of the amount by which the total income exceeds Rs. 1,00,000. |

Provided that for the purposes of this Sub-Paragraph,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 10,000;

(ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,540, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Sub-Paragraph II

In the case of every Hindu undivided family which at any time during the previous year has at least one member whose total income of the previous year relevant to the assessment year commencing on the 1st day of April, 1978 exceeds Rs. 10,000,—

Rates of income-tax

- | | |
|--|--|
| (1) where the total income does not exceed Rs. 8,000 | <i>Nil</i> ; |
| (2) Where the total income exceeds Rs. 8,000 but does not exceed Rs. 15,000 | 18 per cent. of the amount by which the total income exceeds Rs. 8,000; |
| (3) where the total income exceeds Rs. 15,000 but does not exceed Rs. 20,000 | Rs. 1,260 <i>plus</i> 25 per cent. of the amount by which the total income exceeds Rs. 15,000; |
| (4) where the total income exceeds Rs. 20,000 but does not exceed Rs. 25,000 | Rs. 2,510 <i>plus</i> 30 per cent. of the amount by which the total income exceeds Rs. 20,000; |
| (5) where the total income exceeds Rs. 25,000 but does not exceed Rs. 30,000 | Rs. 4,010 <i>plus</i> 40 per cent. of the amount by which the total income exceeds Rs. 25,000; |

- (6) where the total income exceeds Rs. 30,000 but does not exceed Rs. 50,000 Rs. 6,010 *plus* 50 per cent. of the amount by which the total income exceeds Rs. 30,000;
- (7) where the total income exceeds Rs. 50,000 but does not exceed Rs. 70,000 Rs. 16,010 *plus* 55 per cent. of the amount by which the total income exceeds Rs. 50,000;
- (8) where the total income exceeds Rs. 70,000 Rs. 27,010 *plus* 60 per cent. of the amount by which the total income exceeds Rs. 70,000;

Provided that for the purposes of this Sub-Paragraph,—

(i) no income-tax shall be payable on a total income not exceeding Rs. 10,000,

(ii) where the total income exceeds Rs. 10,000 but does not exceed Rs. 10,690, the income-tax payable thereon shall not exceed seventy per cent. of the amount by which the total income exceeds Rs. 10,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

- (1) where the total income does not exceed Rs. 10,000 15 per cent. of the total income;
- (2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000 Rs. 1,500 *plus* 25 per cent. of the amount by which the total income exceeds Rs. 10,000;
- (3) where the total income exceeds Rs. 20,000; Rs. 4,000 *plus* 40 per cent. of the amount by which the total income exceeds Rs. 20,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Paragraph C

Sub-Paragraph I

In the case of every registered firm, not being a case to which Sub-Paragraph II of this Paragraph applies,—

Rates of income-tax

- (1) where the total income does not exceed Rs. 10,000 Nil;

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 5 per cent of the amount by which the total income exceeds Rs. 10,000;

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 Rs. 750 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;

(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 Rs. 2,500 plus 15 per cent. of the amount by which the total income exceeds Rs. 50,000;

(5) where the total income exceeds Rs. 1,00,000 Rs. 10,000 plus 24 per cent of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax.

Sub-Paragraph II

In the case of every registered firm whose total income includes income derived from a profession carried on by it and the income so included is not less than fifty-one per cent. of such total income,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000 *Nil*;

(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 25,000 4 per cent. of the amount by which the total income exceeds Rs. 10,000;

(3) where the total income exceeds Rs. 25,000 but does not exceed Rs. 50,000 Rs. 600 plus 7 per cent. of the amount by which the total income exceeds Rs. 25,000;

(4) where the total income exceeds Rs. 50,000 but does not exceed Rs. 1,00,000 Rs. 2,350 plus 13 per cent. of the amount by which the total income exceeds Rs. 50,000;

(5) where the total income exceeds Rs. 1,00,000 Rs. 8,850 plus 22 per cent. of the amount by which the total income exceeds Rs. 1,00,000.

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Sub-Paragraph shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent. of such income-tax

Explanation.—For the purposes of this Paragraph, “registered firm” includes an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income 50 per cent.

Surcharge on income-tax

The amount of income-tax computed at the rate hereinbefore specified shall be increased by a surcharge for purposes of the Union calculated at the rate of fifteen per cent of such income-tax.

Paragraph E

In the case of a company,—

Rates of income-tax

I In the case of a domestic company.—

(1) where the company is a company in which the public are substantially interested,—

(i) in a case where the total income ; 45 per cent. of the total income, does not exceed Rs. 1,00,000

(ii) in a case where the total income: 55 per cent of the total income, exceeds Rs 1,00,000

(2) where the company is not a company in which the public are substantially interested,—

(i) in the case of an industrial company, —

(a) where the total income 55 per cent of the total income; does not exceed Rs 2,00,000

(b) where the total income 60 per cent of the total income; exceeds Rs. 2,00,000

(ii) in any other case 65 per cent. of the total income

Provided that—

(i) the income-tax payable by a domestic company, being a company in which the public are substantially interested, the total income of which exceeds Rs 1,00,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs 1,00,000 (the income of Rs. 1,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent. of the amount by which its total income exceeds Rs 1,00,000;

(u) the income-tax payable by a domestic company, not being a company in which the public are substantially interested, which is an industrial company and the total income of which exceeds Rs. 2,00,000, shall not exceed the aggregate of—

(a) the income-tax which would have been payable by the company if its total income had been Rs 2,00,000 (the income of Rs 2,00,000 for this purpose being computed as if such income included income from various sources in the same proportion as the total income of the company); and

(b) eighty per cent of the amount by which its total income exceeds Rs. 2,00,000

II In the case of a company other than a domestic company,—

(i) on so much of the total income as consists of—

(a) royalties received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or

(b) fees for rendering technical services received from an Indian concern in pursuance of an agreement made by it with the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government

(ii) on the balance, if any, of the total income

Surcharge on income-tax

The amount of income-tax computed in accordance with the preceding provisions of this Paragraph shall be increased by a surcharge calculated at the rate of five per cent. of such income-tax.

PART IV

[See section 2(7)(e)]

RULES FOR COMPUTATION OF NET AGRICULTURAL INCOME

Rule 1—Agricultural income of the nature referred to in sub-clause (a) of clause (1) of section 2 of the Income-tax Act shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from other sources" and the provisions of sections 57 to 59 of that Act shall, so far as may be, apply accordingly;

Provided that sub-section (2) of section 58 shall apply subject to the modification that the reference to section 40A therein shall be construed as not including a reference to sub-sections (3) and (4) of section 40A

Rule 2.—Agricultural income of the nature referred to in sub-clause (b) or sub-clause (c) of clause (1) of section 2 of the Income-tax Act [other than income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c)] shall be computed as if it were income chargeable to income-tax under that Act under the head "Profits and gains of business or profession" and the provisions of sections 30, 31, 32, 34, 36, 37, 38, 40, 40A [other than sub-sections (3) and (4) thereof], 41, 43 and 43A of the Income-tax Act shall, so far as may be, apply accordingly

Rule 3.—Agricultural income of the nature referred to in sub-clause (c) of clause (1) of section 2 of the Income-tax Act, being income derived from any building required as a dwelling house by the receiver of the rent or revenue or the cultivator or the receiver of rent-in-kind referred to in the said sub-clause (c) shall be computed as if it were income chargeable to income-tax under that Act under the head "Income from house property" and the provisions of sections 23 to 27 of that Act shall, so far as may be, apply accordingly:

Provided that sub-section (2) of the said section 23 shall apply subject to the modifications that the references to "total income" therein shall be construed as references to net agricultural income and that the words, figures and letter "and before making any deduction under Chapter VIA" shall be omitted.

Rule 4.—Notwithstanding anything contained in any other provisions of these rules, in a case where the assessee derives income from sale of tea grown and manufactured by him in India, such income shall be computed in accordance with rule 8 of the Income-tax Rules, 1962, and sixty per cent. of such income shall be regarded as the agricultural income of the assessee.

Rule 5.—Where the assessee is a partner of a registered firm or an unregistered firm assessed as a registered firm under clause (b) of section 183 of the Income-tax Act, which in the previous year has any agricultural income, or is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of the said section 183 and which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of an unregistered firm but has any agricultural income then, the agricultural income or loss of the firm shall be computed in accordance with these rules and his share in the agricultural income or loss of the firm shall be computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act and the share so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 6.—Where the assessee is a member of an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) which in the previous year has either no income chargeable to tax under the Income-tax Act or has total income not exceeding the maximum amount not chargeable to tax in the case of

an association of persons or a body of individuals (other than a Hindu undivided family, a company or a firm) but has any agricultural income, then, the agricultural income or loss of the association or body shall be computed in accordance with these rules and the share of the assessee in the agricultural income or loss so computed shall be regarded as the agricultural income or loss of the assessee.

Rule 7—Where the result of the computation for the previous year in respect of any source of agricultural income is a loss, such loss shall be set off against the income of the assessee, if any, for that previous year from any other source of agricultural income:

Provided that where the assessee is a partner of an unregistered firm which has not been assessed as a registered firm under clause (b) of section 183 of the Income-tax Act or is a member of an association of persons or body of individuals and the share of the assessee in the agricultural income of the firm, association or body, as the case may be, is a loss, such loss shall not be set off against any income of the assessee from any other source of agricultural income.

Rule 8—Any sum payable by the assessee on account of any tax levied by the State Government on the agricultural income shall be deducted in computing the agricultural income.

Rule 9—(1) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1977, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976, is a loss, then, for the purposes of sub-section (2) of section 2 of this Act,—

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, and

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1977.

(2) Where the assessee has, in the previous year relevant to the assessment year commencing on the 1st day of April, 1978 or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than that previous year, in such other period, any agricultural income and the net result of the computation of the agricultural income of the assessee for any one or more of the previous years relevant to the assessment years commencing on the 1st day of April, 1974 or the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977, is a loss, then, for the purposes of sub-section (6) of section 2 of this Act,—

(i) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1975 or the 1st day of April, 1976 or the 1st day of April, 1977,

(ii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1975, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, or the 1st day of April, 1977,

(iii) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1976, to the extent, if any, such loss has not been set off against the agricultural income for the previous year relevant to the assessment year commencing on the 1st day of April, 1977, and

(iv) the loss so computed for the previous year relevant to the assessment year commencing on the 1st day of April, 1977,

shall be set off against the agricultural income of the assessee for the previous year relevant to the assessment year commencing on the 1st day of April, 1978 or the period aforesaid.

(3) Where a change has occurred in the constitution of a firm, nothing in sub-rule (1) or sub-rule (2) shall entitle the firm to set off so much of the loss proportionate to the share of a retired or deceased partner computed in the manner laid down in sub-section (1), sub-section (2) and sub-section (3) of section 67 of the Income-tax Act as exceeds his share of profits, if any, of the previous year in the firm, or entitle any partner to the benefit of any portion of the said loss (computed in the manner aforesaid) which is not apportionable to him.

(4) Where any person deriving any agricultural income from any source has been succeeded in such capacity by another person, otherwise than by inheritance, nothing in sub-rule (1) or sub-rule (2) shall entitle any person, other than the person incurring the loss, to have it set off under sub-rule (1) or, as the case may be, sub-rule (2).

(5) Notwithstanding anything contained in this rule, no loss which has not been determined by the Income-tax Officer under the provisions of these rules, or the rules contained in Part IV of the First Schedule to the Finance Act, 1974, or of the First Schedule to the Finance Act, 1975, or of the First Schedule to the Finance Act, 1976, shall be set off under sub-rule (1) or, as the case may be, sub-rule (2). 20 of 1974.
25 of 1975.
88 of 1976.

Rule 11.—The provisions of the Income-tax Act relating to procedure with these rules is a loss, the loss so computed shall be ignored and the net agricultural income shall be deemed to be *nil*.

Rule 11.—The provisions of the Income-tax Act relating to procedure for assessment (including the provisions of section 288A relating to rounding off of income) shall, with the necessary modifications, apply in relation to the computation of the net agricultural income of the assessee as they apply in relation to the assessment of the total income.

Rule 12.—For the purposes of computing the net agricultural income of the assessee, the Income-tax Officer shall have the same powers as he has under the Income-tax Act for the purposes of assessment of the total income.

THE SECOND SCHEDULE

(See section 31)

PART I

In the First Schedule to the Customs-Tariff Act,—

(i) in sub-heading No (3), of Heading No 37 01/08, for the entry in column (3), the entry “40% *ad valorem*” shall be substituted;

(ii) in Heading No. 51 01/03, for the entry in column (3), the entry “100% *plus* Rs. 30 per kilogram” shall be substituted;

(iii) in sub-heading No (2) of Heading No. 53.01/05, for the entry in column (3), the entry “60%” shall be substituted;

(iv) in Heading No. 56 01/04, for the entry in column (3), the entry “140%,” shall be substituted;

(v) in Heading No 56 05/06, for the entry in column (3), the entry “100% *plus* Rs. 30 per kilogram” shall be substituted;

(vi) in Heading No. 69 09, for the entry in column (3), the entry “100%” shall be substituted,

(vii) in sub-heading No. (2) of Heading No. 76.03/04, for the entry in column (3), the entry “100%” shall be substituted;

(viii) in sub-heading No. (1) of Heading No 84 51/55, for the entry in column (3), the entry “100%” shall be substituted;

(ix) in Heading No. 85.01,—

(1) in sub-heading No (2), for the entry in column (3), the entry “100%” shall be substituted,

(2) in sub-heading No (3), for the entries in columns (3) and (4), the entries “100%” and “97 5%” shall, respectively, be substituted;

(x) in Heading No 85 13, for the entry in column (3), the entry “100%” shall be substituted;

(xi) in Heading No. 85 14, for the entries in columns (3) and (4), the entries “100%” and “97 5%” shall, respectively, be substituted;

(xii) in sub-heading No (1) of Heading No. 85.15, for the entry in column (3), the entry “100%” shall be substituted;

(xiii) in Heading No 85.18/27,—

(1) in sub-heading No. (1), for the entries in columns (3) and (4), the entries “100%” and “97.5%” shall, respectively, be substituted;

(2) in sub-heading No. (2), for the entry in column (3), the entry “100%” shall be substituted;

(xiv) in Heading No. 100 01, in column (2), for the words “All dutiable articles imported by a passenger as baggage,” the words “All dutiable articles imported by a passenger, or a member of the crew, as baggage” shall be substituted.

PART II

Head- ing No.	Sub-heading No. and description of article	Rate of duty			Duration when rates of duty are protective
		Standard	U.K.	Other Preferen- tial Areas	
(1)	(2)	(3)	(4)	(5)	(6)

In the First Schedule to the Customs Tariff Act;—

(i) for Heading No. 85.02, the following Heading shall be substituted, namely:—

“85.02 Electro-magnets; permanent magnets and articles of special materials for permanent magnets, being blanks of such magnets; electromagnetic and permanent magnet chucks, clamps, vices and similar work holders; electromagnetic clutches and couplings; electromagnetic brakes, electromagnetic lifting heads;”					
(1) Not elsewhere specified.	40%
(2) Ferrite permanent magnets and articles of ferrite for permanent magnets, being blanks of such magnets	100%”;

(ii) for Heading No. 90.29, the following Heading shall be substituted, namely:—

“90.29 Parts or accessories suitable for use solely or principally with one or more of the articles falling within Heading No. 90.23, 90.24, 90.26, 90.27 or 90.28.

(1) Not elsewhere specified	Rate of duty applicable to the main article of which they are parts or accessories				
(2) Parts or accessories, containing thermionic valves or transistors or similar semi-conductor devices or electronic microcircuits or capacitors other than paper capacitors	100%	97.5%			

THE THIRD SCHEDULE

(See section 32)

PART I

In the First Schedule to the Central Excises Act,—

(i) in Item No 1A, for the entry in the second column against sub-item (1), the entry "Chewing gums" shall be substituted;

(ii) in Item No. 1C, for the entry in the second column against sub-item (2), the entry "Butter, whether pasteurised or not." shall be substituted;

(iii) in Item No 4,—

(a) under "I. Unmanufactured tobacco—", for each of the entries in the third column against sub-items (1), (3) and (4), the entry "Twenty rupees." shall be substituted;

(b) under "II. Manufactured tobacco—", for the entries in the third column against sub-items (1), (2), (3)(i), (3)(ii) and (4), the entries "One hundred and seventy per cent. *ad valorem*", "Two hundred and seventy per cent. *ad valorem*", "Four rupees and sixty paise per thousand.", "One rupee and sixty paise per thousand." and "Two hundred and twenty per cent. *ad valorem*." shall, respectively, be substituted;

(iv) in Item No 14C, for the entry in the third column, the entry "Fifteen per cent. *ad valorem*" shall be substituted;

(v) in Item No 14D, for the entry in the third column, the entry "Thirty per cent. *ad valorem*." shall be substituted;

(vi) in Item No. 14DD, for the entry in the third column, the entry "Twenty-five per cent. *ad valorem*." shall be substituted;

(vii) in Item No 14F, for the entry in the third column, the entry "Sixty per cent. *ad valorem*." shall be substituted;

(viii) in Item No 16A, for the entries in the third column against sub-items (1), (2), (3) and (4), the entries "Fifty per cent. *ad valorem*", "Thirty-six per cent. *ad valorem*", "Twenty-four per cent. *ad valorem*" and "Twenty-four per cent. *ad valorem*." shall, respectively, be substituted;

(ix) in Item No. 16AA, for the entry in the third column, the entry "Five per cent. *ad valorem*." shall be substituted;

(x) in Item No 16B, for the entry in the third column against sub-item (ii), the entry "Twenty-seven and half per cent. *ad valorem*." shall be substituted;

(xi) in Item No 17, for the entry in the third column against sub-item (2), the entry "Forty per cent. *ad valorem*." shall be substituted;

(xii) in Item No 23, for the entry in the third column against sub-item (2), the entry "Forty per cent. *ad valorem*." shall be substituted;

(xiii) in Item No 26, for the entry in the third column, the entry "Three hundred and fifty rupees per metric tonne." shall be substituted;

(xiv) in Item No 26A, for the entries in the third column against sub-items (1), (1a), (2) and (3), the entries "Five thousand six hundred rupees per metric tonne", "Five thousand six hundred rupees per metric tonne.", "Six thousand three hundred rupees per metric tonne." and "Twenty-eight per cent. *ad valorem*." shall, respectively, be substituted;

(xv) in Item No. 26AA, for the entries in the third column against sub-items (i), (ia), (u), (vi), (iv) and (v), the entries "Three hundred and fifty rupees per metric tonne", "Three hundred and fifty rupees per metric tonne", "One thousand three hundred and fifty rupees per metric tonne", "One thousand three hundred and fifty rupees per metric tonne.", "One thousand rupees per metric tonne plus the excise duty for the time being leviable on pig iron or steel ingots, as the case may be." and "Seven hundred and fifty rupees per metric tonne." shall, respectively, be substituted;

(xvi) in Item No. 26B, for the entries in the third column against sub-items (1), (2) and (3), the entries "Two thousand six hundred and twenty-five rupees per metric tonne", "Three thousand one hundred and fifty rupees per metric tonne." and "Thirty-five per cent. *ad valorem*." shall, respectively, be substituted;

(xvii) in Item No. 27,—

(a) for the entry in the second column against sub-item (b), the following entry shall be substituted, namely:—

Manufactures, the following, namely, plates, sheets, circles, strips, shapes and sections, in any form or size, not otherwise specified."

(b) for each of the entries in the third column against sub-items (a)(i), (a)(ii), (b), (c), (d), (e) and (f), the entry "Fifty per cent. *ad valorem*, plus two thousand rupees per metric tonne." shall be substituted;

(xviii) in Item No. 33A,—

(a) in the second column, for the words and brackets, "AND TAPE RECORDERS (INCLUDING CASSETTE RECORDERS AND TAPE DECKS)", the words and brackets ", TAPE RECORDERS (INCLUDING CASSETTE RECORDERS AND TAPE DECKS) AND TAPE PLAYERS (INCLUDING CASSETTE PLAYERS)" shall be substituted;

(b) for the entry in the second column against sub-item (3), the entry "Radiograms (including radio or transistor sets with extra space in cabinet for fitting in record players or record changers)." shall be substituted;

(c) for each of the entries in the third column against sub-items (2), (3) and (4), the entry "Thirty-five per cent. *ad valorem*." shall be substituted;

(xix) Item No. 47 shall be omitted;

(xx) Item No. 59 shall be omitted;

(xxi) in Item No. 68, for the entry in the third column, the entry "Two per cent. *ad valorem*." shall be substituted.

PART II

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

In the First Schedule to the Central Excises Act,—

(i) for Item No. 1D, the following Item shall be substituted, namely:—

“1D. AERATED WATERS, WHETHER OR NOT
FLAVOURED OR SWEETENED AND
WHETHER OR NOT CONTAINING
VEGETABLE OR FRUIT JUICE OR FRUIT
PULP—

- | | |
|---|--|
| (1) Aerated waters which are only charged with carbon dioxide gas under pressure and which contain no other added ingredient. | Twenty-five per cent.
<i>ad valorem</i> ; |
| (2) All others. | Fifty-five per cent
<i>ad valorem</i> .” |

(ii) for Item No. 14, the following Item shall be substituted, namely:—

“14. PIGMENTS, COLOURS, PAINTS, ENAMELS
VARNISHES, BLACKS AND CELLULOSE
LACQUERS—

(1) Pigments, colours, paints and enamels—

- | | |
|---|--|
| (i) Aluminium paste. | Ten per cent.
<i>ad valorem</i> . |
| (ii) Pigments and colours, not otherwise specified. | Five per cent.
<i>ad valorem</i> .” |

(2) Water paints—

- | | |
|--|--|
| (i) Dry distemper including cement based water paints. | Ten per cent.
<i>ad valorem</i> . |
| (ii) Oil-bound distemper. | Fifteen per cent.
<i>ad valorem</i> . |
| (iii) Water pigment finishes for leather | Ten per cent.
<i>ad valorem</i> . |
| (iv) Plastic emulsion paints. | Fifteen per cent.
<i>ad valorem</i> , |

(3) Oil paints and enamels —

- | | |
|---------------------------------------|--|
| (i) Tinting paste (Blue) | Ten per cent.
<i>ad valorem</i> . |
| (ii) Stiff paints. | Fifteen per cent.
<i>ad valorem</i> . |
| (iii) Ready-mixed paints and enamels. | Fifteen per cent.
<i>ad valorem</i> . |

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(4) Dispersed organic pigments ordinarily used for the printing of textiles, whether in the form of powder, paste, or in emulsion. Ten per cent. *ad valorem*.

(5) Paints and enamels, not otherwise specified. Fifteen per cent. *ad valorem*.

II. Varnishes and blacks—

(i) Varnishes. Fifteen per cent. *ad valorem*.

(ii) Bituminous and coal-tar blacks. Five per cent. *ad valorem*.

III. Cellulose lacquers —

(i) Nitrocellulose lacquers, clear and pigmented and nitrocellulose ancillaries in liquid, semisolid or pasty form. Fifteen per cent. *ad valorem*.

(ii) Cellulose lacquers, not other wise specified. Fifteen per cent. *ad valorem*.

Explanation.—This Item does not include carbon black.”

(iii) for Item No. 14H, the following Item shall be substituted, namely :—

14H. GASES, INCLUDING LIQUIFIED OR SOLIDIFIED GASES, THE FOLLOWING
NAMES :—

(i) Oxygen. Twelve per cent. *ad valorem*.

(ii) Chlorine. Twelve per cent. *ad valorem*.

(iii) Ammonia. Twelve per cent. *ad valorem*.

(iv) Carbonic acid (Carbon dioxide). Rupee one and twenty paise per kilogram.

(v) Refrigerant gases, not otherwise specified, such as sulphur dioxide and foreon. Twenty-four per cent. *ad valorem*.

(vi) Acetylene (whether in dissolved condition or not) Twelve per cent. *ad valorem*”;

(iv) for Item No. 15 A, the following Item shall be substituted, namely :—

15A ARTIFICIAL OR SYNTHETIC RESINS AND PLASTIC MATERIALS AND CELLULOSE ESTERS AND ETHERS, AND ARTICLES THEREOF—

(i) The following artificial or synthetic resins and plastic materials and cellulose esters and ethers, in any form, whether solid, liquid or pasty or as Fifty per cent. *ad valorem*.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

powder, granules or flakes, or in the form of moulding powders, namely :—

- (i) Condensation, polycondensation and polyaddition products, whether or not modified or polymerised, and whether or not linear such as Phenoplasts, Aminoplasts, Alkyds, Polyamides, Superpolyamides, Polyesters, Polyallyl esters, Polycarbonates, Polyethers, Polyethylene imines, Polyurethanes, Epoxide resins and Silicones;
 - (ii) Polymerisation and Co-polymerisation products such as Polyethylene, Polytetrahaloethylenes, Polyisobutylene, Polystyrene, Polyvinyl Chloride, Polyvinyl acetate, Polyvinyl chloroacetate and other polyvinyl derivatives, Polyacrylic and Polymethacrylic derivatives and Coumarone—Indume Resins; and
 - (iii) Cellulose acetate (including Cellulose diacetate or Cellulose triacetate), Cellulose acetate butyrate and Cellulose propionate, Cellulose acetate propionate, Ethylcellulose and Benzylcellulose, whether plasticised or not, and plasticised Cellulose nitrate.
- (2) Articles made of plastics, all sorts, including tubes, rods, sheets, foils, sticks, other rectangular or profile shapes, whether laminated or not, and whether rigid or flexible, including layflat tubings, and polyvinyl chloride sheets, not otherwise specified. Fifty per cent. *ad valorem*.
- (3) Polyurethane foam. Seventy per cent. *ad valorem*.
- (4) Articles made of polyurethane foam. Seventy per cent. *ad valorem*.

Explanation —For the purpose of sub-item (2), “plastics” means the various artificial or synthetic resins or plastic materials or cellulose esters and ethers included in sub-item (1)';

(v) after Item No. 15C, the following Item shall be inserted, namely :—

- “15D POLISHES AND CREAMS FOR FOOTWEAR, FURNITURE, FLOORS, LEATHER, METALS, MOTOR VEHICLES AND GLASS; SCOURING POWDERS AND PASTES. Ten per cent. *ad valorem*.”

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

Explanation—This Item does not include French Polish.”;

(vi) for Item No 18, the following Item shall be substituted, namely:—

18 I MAN-MADE FIBRES, OTHER THAN MINERAL FIBRES—

(i) Non-cellulosic.	Eighty-five rupees per kilogram.
(ii) Cellulosic.	Four rupees per kilogram.

II MAN-MADE FILAMENT YARNS—

(i) Non-cellulosic—	
(a) other than textured.	Eighty-five rupees per kilogram.
(b) textured.	Ninety-five rupees per kilogram.

Explanation.—“Textured Yarn” means yarn that has been processed to introduce crimps, coils, loops or curls along the length of the filaments and shall include bulked yarn and stretch yarn.

(ii) Cellulosic.	Twenty rupees per kilogram.
(iii) Metallized.	Eighty-five rupees per kilogram.

III CELLULOSIC SPUN YARN

Yarn, in which man-made fibre of cellulosic origin predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power ~

(i) not containing, or containing not more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content	55 paise per count per kilogram.
(ii) containing more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content.	Eighteen rupees per kilogram.

Explanation I—“Count” means the size of grey yarn (excluding any sizing material) expressed in English Count

Explanation II.—For multiple fold yarn, “count” means the count of the basic single yarn.

Explanation III.—Where two or more of the following fibres, that is to say,

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

- (a) man-made fibre of cellulosic origin;
- (b) cotton,
- (c) wool or acrylic fibre, or both;
- (d) silk (including silk noil),
- (e) jute (including Bimlipatam jute or mesta fibre);
- (f) man-made fibre of non-cellulosic origin, other than acrylic fibre,
- (g) flax,
- (h) ramie,

in any yarn are equal in weight, then, such one of those fibres, the predominance of which would render such yarn fall under that sub-Item or Item (hereafter in this *Explanation* referred to as the applicable sub-Item or Item), among the sub-Items and Items Nos 18III, 18A, 18B, 18C, 18D, 18E, 18FI and 18FII, which, read with the relevant notification, if any, for the time being in force issued under the Central Excise Rules, 1944, involves the highest amount of duty, shall be deemed to be predominant in such yarn and accordingly such yarn shall be deemed to fall under the applicable sub-Item or Item, as the case may be;

(vi) for Item No 18A, the following Item shall be substituted namely:—

“18A. COTTON YARN, ALL SORTS—

Yarn, in which cotton predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power—

- (i) not containing, or containing not more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. 5·5 paise per count per kilogram.
- (ii) containing more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. Eighteen rupees per kilogram.

Explanation —

(1) ‘Cotton yarn’ shall include cotton twist and thread.

(2) Cotton yarn, twist or thread, all sorts, whether sized or unsized, in all forms including skeins, hanks, cops, cones bobbins, pirns, spools, reels, cheeses, balls or on warp beams shall be deemed to be included under this Item

(3) *Explanations I, II and III* under sub-Item III of Item No. 18 shall, so far as may be, apply in relation to this Item as they apply in relation to that Item.”

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(vii) for Item No 18B, the following Item shall be substituted namely:—

“18B. WOOLLEN AND ACRYLIC SPUN YARN—

Yarn, in which wool or acrylic fibre or both predominates or predominate in weight, and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power—

- (i) not containing or containing not more than one-sixth by weight of non-cellulosic fibre (other than acrylic fibre) calculated on the total fibre content. Twenty rupees per kilogram.
- (ii) containing more than one-sixth by weight of non-cellulosic fibre (other than acrylic fibre) calculated on the total fibre content. Eighteen rupees per kilogram.

Explanation I.—Woollen and acrylic spun yarn shall be deemed to include woollen and acrylic knitting yarn

Explanation II—*Explanation III* under sub-Item III of Item No. 18 shall, so far as may be, apply in relation to this Item as they apply in relation to that Item ”;

(ix) for Item No. 18C, the following Item shall be substituted, namely:—

“18C. SILK YARN, ALL SORTS—

Yarn, in which silk (including silk noil) predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power—

- (i) not containing or containing more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. Twenty per cent. *ad valorem*.
- (ii) containing more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. Eighteen rupees per kilogram.

Explanation.—*Explanation III* under sub-Item III of Item No 18 shall, so far as may be, apply in relation to this Item as they apply in relation to that Item.”,

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(x) for Item No. 18D, the following Item shall be substituted, namely:—

“18D. JUTE YARN, ALL SORTS—

Yarn, in which jute (including Bimlipatam jute or mesta fibre) predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power Rupees six hundred per metric tonne.

Explanation I.—‘Jute yarn’ shall include jute twist, thread, rope and twine.

Explanation II.—*Explanation III* under sub-Item III of Item No 18 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item”,

(xi) for Item No 18E, the following Item shall be substituted, namely:—

“18E. NON-CELLULOSIC SPUN YARN—

Spun (discontinuous) yarn, in which man-made fibres of non-cellulosic origin other than acrylic fibre, predominate in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power. Twenty-four rupees per kilogram,

Explanation—*Explanation III* under sub-Item III of Item No 18 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item.”;

(xii) after Item No 18E, the following Item shall be inserted, namely:—

“18F. I FLAX YARN—

Yarn, in which flax predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power—

- (i) not containing or containing not more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content 5 5 paise per count per kilogram.
- (ii) containing more than one-sixth by weight of non-cellulosic fibre calculated on the total fibre content. Eighteen rupees per kilogram.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

II RAMIE YARN—

Yarn, in which ramie predominates in weight and, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power. Eighteen rupees per kilogram.

Explanation—*Explanations I, II and III* sub-Item III of Item No. 18 shall, so far as may be, apply in relation to this Item as they apply in relation to that Item';

(xiv) in Item No 19,

(a) in column (2), for the portion beginning with the words "Cotton fabrics" means all varieties of fabrics' and ending with the words "which are embroidered or impregnated, coated or laminated, as the case may be—", the following shall be substituted, namely'—

' "Cotton fabrics" means all varieties of fabrics manufactured either wholly or partly from cotton and includes dhories, sarees, chadders, bed-sheets, bed-spreads, counter-panes, table-cloths, embroidery in the piece, in strips or in motifs and fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials, if (i) in such fabrics cotton predominates in weight, or (ii) such fabrics contain more than 40 per cent. by weight of cotton and 50 per cent. or more by weight of non-cellulosic fibres or yarn or both:

Provided that in the case of embroidery in the piece, in strips or in motifs and fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials, such predominance or percentages, as the case may be, shall be in relation to the base fabrics which are embroidered or impregnated, coated or laminated, as the case may be'—;

(b) for sub-Item I, the following sub-Item shall be substituted namely:—

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

"I Cotton fabrics other than (i) Twenty per cent. *ad valorem*"; embroidery in the piece, in strips or in motifs, and (ii) fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials.

(c) for *Explanation II*.—the following *Explanation* shall be substituted, namely—

"*Explanation II*—Where two or more of the following fibres, that is to say,

- (a) man-made fibre of cellulosic origin;
- (b) cotton,
- (c) wool;
- (d) silk (including silk noil),
- (e) jute (including Bimilipatam jute or mesta fibre),
- (f) man-made fibre of non-cellulosic origin,
- (g) flax;
- (h) ramie,

in any fabric are equal in weight, then, such one of those fibres the predominance of which would render such fabric fall under that Item (hereafter in this *Explanation* referred to as the applicable Item) among the Items Nos. 19, 20, 21, 22, 22A and 22AA, which, read with the relevant notification, if any for the time being in force issued under the Central Excise Rules, 1944, involves the highest amount of duty, shall be deemed to be predominant in such fabric and accordingly such fabric shall be deemed to fall under the applicable Item."

(d) *Explanation III* shall be omitted;

(xv) in Item No 20,—

(a) in column (2), for the portion beginning with the words "but does not include any such fabric—" and ending with the words "shall be in relation to the base fabrics which are embroidered—", the following shall be substituted, namely.—

"in each of which silk (including silk noil) predominates in weight and which is not manufactured on handloom ;

Provided that in the case of embroidery in the piece, in strips or in motifs, such predominance shall be in relation to the case fabrics which are embroidered—";

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(b) the *Explanation* shall be numbered as *Explanation I* and after that *Explanation* as so numbered the following *Explanation* shall be inserted, namely:—

“*Explanation II*—*Explanation II* under Item No. 19 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item”,

(xv) in Item No. 21,—

(a) in column (2), for the portion beginning with the words “manufactured wholly of wool” and ending with the words “in relation to the base fabrics which are embroidered”, the following shall be substituted, namely:—

“in which wool predominates in weight or which contain more than 30 per cent. of wool and 50 per cent or more of non-cellulosic fibre or yarn or both.

Provided that in the case of embroidery in the piece, in strips or in motifs, such predominance or percentages, as the case may be, shall be in relation to the base fabrics which are embroidered”;

(b) the *Explanation* shall be numbered as *Explanation I* and after that *Explanation* as so numbered the following *Explanation* shall be inserted, namely —

“*Explanation II*—*Explanation II* under Item No 19 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item”,

(xvi) for Item No 22, the following Item shall be substituted, namely:—

‘22 MAN-MADE FABRICS—

“Man-made fabrics” means all varieties of fabrics manufactured either wholly or partly from man-made fibres or yarn and includes embroidery in the piece, in strips or in motifs and fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials, in each of which man-made (i) cellulosic fibre or yarn, or (ii) non-cellulosic fibre or yarn, predominates in weight

Provided that in the case of embroidery in the piece, in strips or in motifs and fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials, such predominance shall be in relation to the base fabrics which are

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)
	embroidered or impregnated, coated or laminated, as the case may be—	
(1)	Man-made fabrics other than (i) embroidery in the piece, in strips or in motifs, and (ii) fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials.	Twenty per cent. <i>ad valorem</i> plus rupees five per square metre.
(2)	Embroidery in the piece, in strips or in motifs, in or in relation to the manufacture of which any process is ordinarily carried on with the aid of power	The duty for the time being leviable on the base fabrics, if not already paid, <i>plus</i> twenty per cent. <i>ad valorem</i> .
(3)	Fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials.	The duty for the time being leviable on the base fabrics, if not already paid, <i>plus</i> twenty per cent. <i>ad valorem</i> .

Explanation I—"Base fabrics" means fabrics falling under sub-Item (1) of this Item which are subjected to the process of embroidery or which are impregnated, coated or laminated with preparations of cellulose derivatives or of other plastic materials.

Explanation II.—This Item does not include glass fabrics or fabrics falling under Item No. 19 or Item No. 21

Explanation III.—*Explanation II* under Item No. 19 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item.

(xvii) in Item No. 22A—

(a) in column (2), for the words, brackets and figures

"BUT EXCLUDING ANY SUCH MANUFACTURE—

- (i) if it contains 40 per cent or more by weight of wool; or,
- (ii) if it contains no wool or less than 40 per cent by weight of wool and less than 50 per cent by weight of jute (including Bimlipatam jute or mesta fibre)—"

the words and brackets,

"IN WHICH JUTE (INCLUDING BIMLIPATAM JUTE OR MESTA FIBRE) PREDOMINATES IN WEIGHT—",

shall be substituted;

(b) for the entry in the third column against sub-Item (2), the

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

entry "Six hundred rupees per metric tonne," shall be substituted:

(c) the following *Explanation* shall be inserted at the end, namely:—

"*Explanation*—*Explanation* II under Item No 19 shall, so far as may apply in relation to this Item as it applies in relation to that Item";

(xviii) for Item No. 22AA, the following Item shall be substituted, namely:—

"22AA. (i) FLAX FABRIC, in which flax predominates in weight. Fifteen per cent. *ad valorem*.

(ii) RAMIE FABRIC, in which ramie predominates in weight. Fifteen per cent. *ad valorem*.

"*Explanation*.—*Explanation* II under Item No 19 shall, so far as may be, apply in relation to this Item as it applies in relation to that Item.";

(xix) for Item No 28, the following Item shall be substituted, namely:—

"28. TIN PLATE AND TINNED, LACQUERED OR VARNISHED SHEETS INCLUDING TIN TAGGERS AND CUTTINGS OF SUCH PLATES, SHEETS OR TAGGER —

(1) Tin plate and tinned sheet including tin taggers and cutting of such plates, sheets of taggers One thousand seven hundred and fifty rupees per metric tonne.

(2) Lacquered sheets, varnished sheets, including cuttings of lacquered sheets and varnished sheets. One thousand two hundred and fifty rupees per metric tonne.";

(xx) for Item No. 30, the following Item shall be substituted, namely:—

"30. ELECTRIC MOTORS ALL SORTS; AND PARTS THEREOF, NAMELY—

A. Motors which operate on alternating current—

1. Single phase motors, Twenty per cent *ad valorem*.

2. Three phase motors—

(i) for rated output not exceeding 7.5 Kw continuous rating or, in the case of short time or intermittent rated motors, its equivalent continuous rating. Fifteen per cent. *ad valorem*.

(ii) for rated output exceeding 7.5 Kw continuous rating or, in the case of short time or intermittent rated motors, its equivalent continuous rating. Ten per cent. *ad valorem*.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

B. Motors which operate on direct current—

(i) with rated output not exceeding 7.5 Kw. Twenty per cent. *ad valorem*.

(ii) with rated output exceeding 7.5 kw. Ten per cent. *ad valorem*.

C. Parts of electric motors. Twenty per cent *ad valorem*

Explanation I.—In the case of any multi-speed motor, the highest rated output of the motor shall be deemed to be the rated output of the motor.

Explanation II.—This item does not include motors specially designed for use in gramophones or record players and all parts of such motors.”;

(xxi) for Item No. 33, the following Item shall be substituted, namely:—

“33. ELECTRIC FANS INCLUDING REGULATORS FOR ELECTRIC FANS, ALL SORTS—

(1) Table, cabin carriage, pedestal and air circulator fans, of a diameter not exceeding 40.6 centimetres and regulators therefor. Fifteen per cent. *ad valorem*.

(2) Electric fans, designed for use in an industrial system as parts indispensable for its operation and have been given for that purpose some special shape or quality which would not be essential for their use for any other purpose, and regulators therefor. Fifteen per cent. *ad valorem*.

(3) Electric fans, not otherwise specified, and regulators therefor. Twenty per cent. *ad valorem*.”;

(xxii) after Item No 33E, the following Item shall be inserted, namely:—

“33F. MUSICAL SYSTEMS COMMERCIALY KNOWN AS STEREO OR HI-FI SYSTEMS, NAMELY:—

(1) Stereo or hi-fi amplifiers. Thirty-five per cent. *ad valorem*

(2) Speakers and speaker systems housed in acoustically designed enclosures which are ordinarily used as attachments with stereo or hi-fi systems, or with radios (including transistors sets), tuners radiograms, gramophones (including record players) and tape recorders or players (including cassette recorders or players) having in-built stereo devices. Thirty-five per cent. *ad valorem*.”;

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

(xxiii) for Item No 34, the following Item shall be substituted, namely:—

34. MOTOR VEHICLES AND TRACTORS—

I Motor Vehicles—

“Motor vehicles” means all mechanically propelled vehicles, other than tractors, designed for use upon roads—

- (1) Two-wheeled and three-wheeled motor vehicles. Twelve and half per cent. *ad valorem*.
- (2) Motor vehicles of engine capacity not exceeding 2500 cubic centimetres—
 - (i) Motor vehicles with body. Seventeen and half per cent *ad valorem*.
 - (ii) Other motor vehicles (including chassis whether or not with cab.) Twenty per cent. *ad valorem*.
- (3) Motor vehicles of engine capacity exceeding 2500 cubic centimetres. Seventeen and half per cent. *ad valorem*.

II Tractors, including agricultural tractors. Fifteen per cent. *ad valorem*.

Explanation I—“Motor vehicles” and “Tractors, including agricultural tractors” shall include a chassis and a trailer, but shall not include a vehicle running upon fixed rails

Explanation II—For the purpose of this Item, where a motor vehicle is mounted, fitted or fixed with any weight lifting or other specialised material handling equipment, then, such equipment shall not be taken into account.’

(xxiv) in Item 34A, for the words “PARTS AND ACCESSORIES OF MOTOR VEHICLES, NOT OTHERWISE SPECIFIED.”, the words and brackets “PARTS AND ACCESSORIES OF MOTOR VEHICLES AND TRACTORS (INCLUDING AGRICULTURAL TRACTORS), NOT OTHERWISE SPECIFIED.” shall be substituted;

(xxv) for Item No. 37, the following Item shall be substituted, namely:—

37. CINEMATOGRAPH FILMS—

I Unexposed. Two paise per metre.

II. Exposed—

- (i) News-reels and shorts not exceeding 500 metres. Fifty paise per metre.

Item No.	Description of goods	Rate of duty
(1)	(2)	(3)

- (ii) Feature films, advertisement shorts, and films not otherwise specified. Ten per cent *ad valorem*.”;

(xxvi) for Item No. 37AA, the following Item shall be substituted, namely:—

- “37AA. TAPE RECORDERS (INCLUDING CASSETTE RECORDERS AND TAPE DECKS) AND TAPE PLAYERS (INCLUDING CASSETTE PLAYERS). Thirty per cent. *ad valorem*.”;

(xxvii) after Item No 43, the following Items shall be inserted, namely:—

44. WATCHES, CLOCKS AND TIME-PIECES, PRIMARILY DESIGNED TO SHOW THE TIME OF DAY. Ten per cent. *ad valorem*.
45. MACHINERY AND APPLIANCES FOR DETERMINATION OF WEIGHT INCLUDING PARTS OF WEIGH-BRIDGES. Ten per cent. *ad valorem*.

Explanation—This Item does not include scales having arms of equal length which determine weight by balancing the object against weight.”;

(xxviii) for Item No. 51A, the following Item shall be substituted, namely:—

- “51A. TOOLS, THE FOLLOWING NAMELY :— Ten per cent. *ad valorem*.”;

- (i) Handtools, the following .
Pliers (including cutting pliers) spanners, wrenches, files and rasps, screw drivers (including ratchet types);
- (ii) Tools for working in the hand pneumatic or with self contained non-electric or electric motor ;
- (iii) Tools designed to be fitted into hand tools, machine tools or tools falling under sub-Item (ii), including dies for wire drawing extrusion dies for metals and rock drilling bits;
- (iv) Industrial knives and blades for hand or machine saws.

(xxix) after Item No 60, the following Item shall be Inserted, namely :—

- “61. ELECTRIC LIGHTING FITTINGS, NAMELY :— Ten per cent *ad valorem*.”,

SWITCHES, PLUGS AND SOCKETS, ALL KINDS; CHOKES AND STARTERS FOR FLUORESCENT TUBES.

THE FOURTH SCHEDULE

(See Section 33)

PART I

In the Additional Duties of Excise Act,—

(a) in clause (c) of section 2, for the words ‘and “rayon or artificial silk fabrics”’, the words ‘and “man-made fabrics”’ shall be substituted;

(b) in sub-section (1) of section 3, for the words “rayon or artificial silk fabrics”, the words “man-made fabrics” shall be substituted.

PART II

In the First Schedule to the Additional Duties of Excise Act,—

(i) in Item No 4, under “II *Manufactured tobacco*—”, for the entries in the third column against sub-Items (3)(i) and (3)(ii), the entries “One rupee per thousand” and “Forty paise per thousand” shall, respectively, be substituted;

(ii) in item No. 19, for sub-Item I, the following sub-Item shall be substituted, namely:—

“I. Cotton fabrics other than (i) embroidery, in the piece, in strips or in motifs and (ii) fabrics impregnated, coated or laminated with preparations of cellulose derivatives or of other artificial plastic materials. Five per cent. *ad valorem*.”;

(iii) in item No. 22,—

(a) for the entry “RAYON OR ARTIFICIAL SILK FABRICS—”, the entry “MAN-MADE FABRICS”—shall be substituted;

(b) in sub-Item (i), in the second column, for the words “Rayon or artificial silk fabrics”, the words “Man-made fabrics” shall be substituted.

THE FIFTH SCHEDULE

(See section 39)

PART I

AMENDMENTS IN THE INCOME-TAX ACT

1. Section 2—After clause (16), insert—

‘(16A) “Commissioner (Appeals)” means a person appointed to be a Commissioner of Income-tax (Appeals) under sub-section (1) of section 117;’.

2. Section 107A, sub-section (9).—For “Appellate Assistant Commissioner”, substitute “Commissioner (Appeals)”.

3. Section 116, clause (c) and section 117, sub-section (1).—After “Commissioners of Income-tax”, insert “, Commissioners of Income-tax (Appeals)”.

4. Sections 119, 154, 177, 189, 267, 271, 271A, 275 and 295.—After “the Appellate Assistant Commissioner”, wherever it occurs, insert “or the Commissioner (Appeals)”

5. After section 121, insert—

“121A (1) Commissioners (Appeals) shall perform their functions in respect of such areas or of such persons or classes of persons or of such incomes or classes of income as the Board may direct

Jurisdiction of Commissioners (Appeals).

(2) Where any directions issued under sub-section (1) have assigned to two or more Commissioners (Appeals), the same area or the same persons or classes of persons or the same incomes or classes of income, they shall perform their functions in accordance with any orders which the Board may make for the distribution and allocation of the work to be performed.”

6 Section 125.—

(a) in sub-section (1), in clause (a), omit “and the Appellate Assistant Commissioner” and “and the Commissioner respectively”;

(b) in sub-section (2), for clause (a), substitute—

“(a) where such order is made under clause (a) of the said sub-section (1), references in this Act or in any rule made thereunder to the Income-tax Officer shall be deemed to be references to the Inspecting Assistant Commissioner and any provision of this Act requiring approval or sanction of the Inspecting Assistant Commissioner shall not apply.”

7. Section 125A.—For sub-section (4), substitute—

“(4) Where an order is made under sub-section (1) and the Inspecting Assistant Commissioner exercises the powers or performs the functions of an Income-tax Officer in relation to any area, or persons or classes of persons, or incomes or classes of income, or cases or classes of cases, references in this Act or in any rule made thereunder to the Income-tax Officer shall be construed as references to the Inspecting Assistant Commissioner and any provision of this Act requiring approval or sanction of the Inspecting Assistant Commissioner shall not apply.”

8 Section 126.—

(a) after “empower Commissioners,”, insert “Commissioners (Appeals),”;

(b) after “section 121,”, insert ‘section 121A,’

9 Section 131, sub-section (1)—For “and Commissioner”, substitute “, Commissioner (Appeals) and Commissioner”

10. Sections 133 and 134.—For “or the Inspecting Assistant Commissioner”, wherever it occurs, substitute “, the Inspecting Assistant Commissioner or the Commissioner (Appeals)”.

11 Section 245.—For “or Commissioner”, substitute “, Commissioner (Appeals) or Commissioner”.

12. Section 245A, clause (b)—After “a Commissioner,”, insert “a Commissioner (Appeals),”.

13 Chapter XX, in the sub-heading before section 246, after “Appellate Assistant Commissioner”, insert “and Commissioner (Appeals)”.

14. Section 246.—

(a) renumber the section as sub-section (1) of the section and in the sub-section as so numbered,

(i) in the opening portion, for “Any assessee aggrieved by any of the following orders”, substitute “Subject to the provisions of sub-section (2), any assessee aggrieved by any of the following orders”;

(ii) omit clause (a) and the *Explanation*,

(b) after the sub-section as so numbered, insert—

“(2) Notwithstanding anything contained in sub-section (1), any assessee aggrieved by any of the following orders (whether made before or after the appointed day) may appeal to the Commissioner (Appeals) against such order -

(a) an order against the assessee, being a company, under section 104;

(b) an order specified in clauses (c) to (o) (both inclusive) of sub-section (1) where such order is made by the Inspecting Assistant Commissioner in exercise of the powers or functions conferred on or assigned to him under section 125 or section 125A;

(c) an order made by the Inspecting Assistant Commissioner imposing a fine under sub-section (2) of section 131,

(d) an order against the assessee, being a foreign company, where the assessee denies its liability to the assessed under this Act or any order of assessment under sub-section (3) of section 143 or section 144, and the assessee objects to amount of income assessed or to the amount of tax determined or to the amount of loss computed or to the status under which it is assessed,

(e) an order against the assessee, being a domestic company, where the assessee denies its liability to be assessed under this Act or any order of assessment under sub-section (3) of section 143 or section 144, and the assessee objects to the amount of income assessed or to the amount of tax determined or to the amount of loss computed or to the status under which it is assessed, and the amount of income so assessed or the amount of loss so computed exceeds five lakh rupees;

(f) an order of assessment under sub-section (3) of section 143 or section 144 made on the basis of directions issued by the Inspecting Assistant Commissioner under section 144B;

(g) an order imposing a penalty under clause (c) of sub-section (1) of section 271 where such penalty has been imposed with the previous approval of the Inspecting Assistant Commissioner under the proviso to clause (iii) of sub-section (1) of that section,

(h) an order made by an Inspecting Assistant Commissioner imposing a penalty under section 272A,

(i) an order made by an Income-tax Officer under the provisions of this Act in the case of such persons or classes of persons as the Board may, having regard to the nature of the cases, the complexities involved and other relevant considerations, direct.

(3) Every appeal against an order specified in sub-section (2) which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day:

Provided that the appellant may demand that before proceeding further with the appeal or matter, the previous proceeding or any part thereof be reopened or that he be re-heard

Explanation—For the purpose of this section,—

(a) “appointed day” means the date appointed under section 39 of the Finance (No. 2) Act, 1977,

(b) “domestic company” and “foreign company” shall have the same meanings as in section 80B,

(c) “status” means the category under which the assessee is assessed as “individual, Hindu undivided family” and so on.

15 Sections 247, 248, 249, 250, 251 and 287—After “Appellate Assistant Commissioner”, wherever it occurs, insert “or, as the case may be, the Commissioner (Appeals)”.

16. Section 253—

(a) in sub-sections (1) and (2), for “an Appellate Assistant Commissioner”, substitute “an Appellate Assistant Commissioner or, as the case may be, a Commissioner (Appeals)”;

(b) in sub-section (4), for “the Appellate Assistant Commissioner”, at both the places where it occurs, substitute “the Appellate Assistant Commissioner or, as the case may be, the Commissioner (Appeals)”

17. Section 264, sub-section (4).—

(a) in clause (a), after “Appellate Assistant Commissioner”, insert “or to the Commissioner (Appeals)”;

(b) in clause (b), after “Appellate Assistant Commissioner”, insert “or the Commissioner (Appeals)”

18. Section 272A.—

(a) in sub-section (1), after “Inspecting Assistant Commissioner or”, at both the places where it occurs, insert “a Commissioner (Appeals) or”;

(b) in sub-section (3), after “the Commissioner”, at both the places where it occurs, insert “or the Commissioner (Appeals)”.

19. Section 274, sub-section (3)—After “An Appellate Assistant Commissioner”, insert “or a Commissioner (Appeals)”.

PART II

AMENDMENTS IN THE WEALTH-TAX ACT, 1957

1 Section 2—After clause (g), insert—

“(gg) “Commissioner (Appeals)” means a person empowered to exercise the functions of a Commissioner of Wealth-tax (Appeals) under section 9A.”

2 Section 8AA—For sub-section (4), substitute—

“(4) Where an order is made under sub-section (1) and the Inspecting Assistant Commissioner exercises the powers or performs the functions of a Wealth-tax Officer in respect of any case or person or proceeding, references in this Act or in any rule made thereunder to the Wealth-tax Officer shall be construed as references to the Inspecting Assistant Commissioner and any provision of this Act requiring approval or sanction of the Inspecting Assistant Commissioner shall not apply.”

3 After section 9, insert.—

Commis-
sioners
of Wealth-
tax.
(Appeals)

“9A The Board may empower as many persons as it thinks fit to exercise under this Act the functions of a Commissioner of Wealth-tax (Appeals), and on being so empowered the Commissioners (Appeals) shall perform their functions in respect of such areas or such persons or such classes of persons as the Board may direct, and where such directions have assigned to two or more Commissioners (Appeals) the same area or the same persons or the same classes of persons they shall perform their functions in accordance with such orders as the Board may make for the distribution and allocation of the work to be performed.”

4 Section 13, sub-section (1).—For “the Appellate Assistant Commissioner of Wealth-tax”, substitute “Appellate Assistant Commissioner or the Commissioner (Appeals)”.

5 Section 18.—

(a) in sub-section (1)—

(i) in the opening portion, after “Appellate Assistant Commissioner,”, insert “Commissioner (Appeals),”;

(ii) in *Explanation 2(A)* and *Explanation 3*, after “Appellate Assistant Commissioner”, insert “or the Commissioner (Appeals)”;

(b) in sub-section (4), after “Appellate Assistant Commissioner,” insert “a Commissioner (Appeals),”;

(c) in sub-section (5), after “Appellate Assistant Commissioner”, at both the places where it occurs, insert “or Commissioner (Appeals)”.

6. Section 18A—After “an Inspecting Assistant Commissioner”, wherever it occurs, insert “or a Commissioner (Appeals)”.

7. Section 22A, clause (b).—After “a Commissioner,”, insert “a Commissioner (Appeals),”.

8 Section 23.—

(a) in sub-section (1), for “Any person”, substitute “Subject to the provisions of sub-section (1A), any person”,

(b) after sub-section (1), insert—

“(1A) Notwithstanding anything contained in sub-section (1), any person,—

(a) objecting to the amount of net wealth determined under this Act or objecting to the amount of wealth-tax determined as payable by him under this Act or denying his liability to be assessed under this Act, where the net wealth determined on assessment made under section 16 exceeds fifteen lakh rupees, or

(b) objecting to any penalty imposed under clause (c) of sub-section (1) of section 18 where the penalty has been imposed with the previous approval of the Inspecting Assistant Commissioner under sub-section (3) of section 18; or

(c) objecting to any assessment or order referred to in clauses (a) to (h) (both inclusive) or clause (i) of sub-section (1), where such assessment or order has been made by the Inspecting Assistant Commissioner in exercise of the powers or functions conferred on or assigned to him under section 8AA; or

(d) objecting to any penalty imposed by an Inspecting Assistant Commissioner under section 18A, or

(e) objecting to an order made by a Wealth-tax Officer in the case of such persons or classes of persons as the Board may, having regard to the nature of the cases, the complexities involved and other relevant considerations, direct,

may appeal to the Commissioner (Appeals) against the assessment or order, as the case may be, in the prescribed form and verified in the prescribed manner

(1B) Every appeal against any assessment or order referred to in sub-section (1A) which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with the appeal or matter from the stage at which it was on that day.

Provided that the appellant may demand that before proceeding further with the appeal or matter the previous proceeding or any part thereof be reopened or that he be re-heard

Explanation—In this sub-section, “appointed day” means the date appointed under section 39 of the Finance (No. 2) Act 1977;

(c) in sub-sections (2), (2A), (3), (4), (5), (5A), (5B) and (6), after “Appellate Assistant Commissioner”, wherever it occurs, insert “or, as the case may be, the Commissioner (Appeals)”;

(d) in sub-section (3A)—

(i) after “sub-section (1)”, insert “or of sub-section (1A)”;

(ii) after “the Appellate Assistant Commissioner”, insert “or, as the case may be, the Commissioner (Appeals)”

9 Section 24—

(a) in sub-section (1), after “the Appellate Assistant Commissioner”, insert “or the Commissioner (Appeals)”;

(b) in sub-section (2), after “Appellate Assistant Commissioner”, insert “or a Commissioner (Appeals)”;

(c) in sub-section (2A), after “Appellate Assistant Commissioner”, at both the places where it occurs, insert “or the Commissioner (Appeals)”.

10 Section 25, proviso to sub-section (1)—

(a) in clause (a), after “Appellate Assistant Commissioner”, insert “or to the Commissioner (Appeals)”;

(b) in clause (b), after “Appellate Assistant Commissioner”, insert “or the Commissioner (Appeals)”.

11 Section 34A, sub-section (5)—After “Appellate Assistant Commissioner”, insert “, Commissioner (Appeals)”.

12 Sections 35 and 46—After “the Appellate Assistant Commissioner”, wherever it occurs, insert “or the Commissioner (Appeals)”.

13 Section 35K, sub-section (2)—For “in sections 8, 9”, substitute “in sections 8, 9, 9A”.

14 Section 37, sub-section (1)—After “Appellate Assistant Commissioner”, insert “Commissioner (Appeals)”.

15 Section 42A, sub-section (2)—After “the Appellate Assistant Commissioner”, insert “or, as the case may be, the Commissioner (Appeals)”.

PART III

AMENDMENTS IN THE GIFT-TAX ACT, 1958

1. Section 2—After clause (vi), insert—

‘(via) “Commissioner (Appeals)” means a person empowered to exercise the powers of a Commissioner of Gift-tax (Appeals) under section 8A,’

2. Section 7AA—For sub-section (4), substitute—

“(4) Where an order is made under sub-section (1) and the Inspecting Assistant Commissioner exercises the powers or performs the functions of a Gift-tax Officer in respect of any case or person or proceeding under this Act, references in this Act or in any rule made thereunder to the Gift-tax Officer shall be construed as references to the Inspecting Assistant Commissioner and any provision of this Act requiring approval or sanction of the Inspecting Assistant Commissioner shall not apply.”

3. After section 8, insert—

“8A The Board may empower as many persons as it thinks fit to exercise under this Act the functions of a Commissioner of Gift-tax (Appeals), and on being so empowered the Commissioners (Appeals) shall perform their functions in respect of such areas or such persons or such classes of persons as the Board may direct, and where such directions have assigned to two or more Commissioners (Appeals) the same areas or the same persons or the same classes of persons they shall perform their functions in accordance with such orders as the Board may make for the distribution and allocation of the work to be performed”.

4. Section 12, sub-section (1)—For “the Appellate Assistant Commissioner of Gift-tax”, substitute “the Commissioner (Appeals) or the Appellate Assistant Commissioner”.

5. Section 17.—

(a) in sub-section (1), after “Appellate Assistant Commissioner”, insert “Commissioner (Appeals),”;

(b) in sub-section (4), for “Commissioner or the Appellate Tribunal”, substitute “a Commissioner (Appeals), a Commissioner or the Appellate Tribunal”

6. Section 17A.—After “an Inspecting Assistant Commissioner”, wherever it occurs, insert “or a Commissioner (Appeals)”

7. Section 21, sub-section (2)—After “Appellate Assistant Commissioner”, insert “, the Commissioner (Appeals)”

8. Section 22 —

(a) in sub-section (1), for “Any person”, substitute “Subject to the provisions of sub-section (1A), any person”,

(b) after sub-section (1), insert—

“(1A) Notwithstanding anything contained in sub-section (1), any person—

(a) objecting to the value of taxable gifts determined under this Act or objecting to the amount of gift-tax deter-

mined as payable by him or denying his liability to be assessed under this Act where the value of taxable gifts determined on assessment exceeds two lakh rupees; or

(b) objecting to any assessment or order referred to in clauses (a) to (h) (both inclusive) of sub-section (1) where such assessment or order has been made by an Inspecting Assistant Commissioner in exercise of the powers or functions conferred on or assigned to him under section 7AA, or

(c) objecting to any penalty imposed under clause (c) of sub-section (1) of section 17 where the penalty has been imposed with the previous approval of the Inspecting Assistant Commissioner under sub-section (3) of section 17; or

(d) objecting to any penalty imposed by an Inspecting Assistant Commissioner under section 17A; or

(e) objecting to any order made by a Gift-tax Officer in the case of such persons or classes of persons as the Board may, having regard to the nature of the cases, the complexities involved and other relevant considerations, direct,

may appeal to the Commissioner (Appeals) against the assessment or order, as the case may be, in the prescribed form and verified in the prescribed manner;

Provided that no appeal shall lie under clause (b) of this sub-section against any order referred to in clause (f) of sub-section (1) unless the tax has been paid before the appeal is filed.

(1B) Every appeal against any assessment or order referred to in sub-section (1A) which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with the appeal or matter from the stage at which it was on that day:

Provided that the appellant may demand that before proceeding further with the appeal or matter the previous proceeding or any part thereof be reopened or that he be re-heard

Explanation—In this sub-section, “appointed day” means the date appointed under section 39 of the Finance (No. 2) Act, 1977 ;

(c) in sub-sections (2), (3) (4), (5), (5A), (5B) and (6), after “Appellate Assistant Commissioner”, wherever it occurs, insert “or, as the case may be, the Commissioner (Appeals)”.

9 Section 23—

(a) in sub-section (1), after “the Appellate Assistant Commissioner”, insert “or the Commissioner (Appeals)”;

(b) in sub-section (2), after “Appellate Assistant Commissioner”, insert “or a Commissioner (Appeals)”.

(c) in sub-section (2A), after "Appellate Assistant Commissioner," at both the places where it occurs, insert "or the Commissioner (Appeals)".

10. Section 24, proviso to sub-section (1) —

(a) in clause (a) after "Appellate Assistant Commissioner", insert "or to the Commissioner (Appeals)",

(b) in clause (b), after "Appellate Assistant Commissioner", insert "or the Commissioner (Appeals)".

11. Section 33A, sub-section (5).—After "Appellate Assistant Commissioner", insert ", Commissioner (Appeals)".

12. Sections 34 and 46.—After "Appellate Assistant Commissioner", wherever it occurs, insert "or the Commissioner (Appeals)"

13. Section 36, sub-section (1).—After "Appellate Assistant Commissioner," insert "the Commissioner (Appeals)".

14. Section 41A, sub-section (2).—After "the Appellate Assistant Commissioner", insert "or, as the case may be, the Commissioner (Appeals)".

PART IV

AMENDMENTS IN THE COMPANIES (PROFITS) SURTAX ACT, 1964

1. Throughout the Act [except in sub-section (1) of section 3 and section 17], for "Appellate Assistant Commissioner" (except where it is preceded by "an"), substitute "Commissioner (Appeals)" and for "an Appellate Assistant Commissioner", substitute "a Commissioner (Appeals)".

2. Section 3, sub-section (1).—For "Additional Commissioner of Income-tax, Appellate Assistant Commissioner of Income-tax", substitute "Commissioner of Income-tax (Appeals), Additional Commissioner of Income-tax".

3. After section 11, insert,—

'11A Every appeal under this Act which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day:

Transfer
of
certain
pending
appeals.

Provided that the appellant may demand that before proceeding further with the appeal or matter the previous proceeding or any part thereof be reopened or that he be re-heard.

Explanation—In this section, "appointed day" means the date appointed under section 39 of the Finance (No. 2) Act, 1977.'

4. Section 17 —

(a) in sub-section (1), omit "or Appellate Assistant Commissioner subordinate to him",

(b) in sub-section (4), in clauses (a) and (b), for "the Appellate Assistant Commissioner", substitute "the Commissioner (Appeals)".

(c) omit *Explanation 2*.

PART V

AMENDMENTS IN THE INTEREST-TAX ACT, 1974

1 Throughout the Act [except in sub-section (1) of section 3 and section 20], for "Appellate Assistant Commissioner" (except where it is preceded by "an"), substitute "Commissioner (Appeals)", and for "an Appellate Assistant Commissioner", substitute "a Commissioner (Appeals)"

2 Section 3, sub-section (1).—For "Additional Commissioner of Income-tax, Appellate Assistant Commissioner of Income-tax", substitute "Commissioner of Income-tax (Appeals), Additional Commissioner of Income-tax".

3. After section 15, insert.—

Transfer
of
certain
pending
appeals.

'15A. Every appeal under this Act which is pending immediately before the appointed day before an Appellate Assistant Commissioner or a Commissioner and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day.

Provided that the appellant may demand that before proceeding further with the appeal or matter the previous proceeding or any part thereof be reopened or that he be re-heard

Explanation.—In this section, "appointed day" means the date appointed under section 39 of the Finance (No. 2) Act, 1977.'

4. Section 20.—

(a) in sub-section (1), omit "or Appellate Assistant Commissioner subordinate to him";

(b) in sub-section (4), in clauses (a) and (b), for "the Appellate Assistant Commissioner", substitute "the Commissioner (Appeals)",

(c) omit *Explanation 2*

STATEMENT OF OBJECTS AND REASONS

The object of the Bill is to give effect to the financial proposals of the Central Government for the financial year 1977-78. The notes on clauses explain the various provisions contained in the Bill

NEW DELHI;

H. M. PATEL

The 17th June, 1977

PRESIDENT'S RECOMMENDATION UNDER ARTICLES 117 AND 274
OF THE CONSTITUTION OF INDIA

[Copy of letter No. F 3(9)-B(D)/77 dated the 17th June, 1977 from Shri H. M. Patel, Minister of Finance, to the Secretary-General, Lok Sabha.]

The Vice-President acting as President, having been informed of the subject matter of the proposed Bill, recommends under article 117(1) and (3) read with article 274(1) of the Constitution of India the introduction of the Finance (No. 2) Bill, 1977 to the Lok Sabha and also recommends to the Lok Sabha the consideration of the Bill.

2. The Bill will be introduced in the Lok Sabha immediately after the presentation of the Budget on the 17th June, 1977.

Notes on clauses

Clause 2, read with the First Schedule to the Bill, seeks to prescribe the rates at which income-tax (including surcharge thereon) is to be levied on income chargeable to tax for the assessment year 1977-78. Further, it lays down the rates at which tax is to be deducted at source during the financial year 1977-78 from incomes subject to such deduction under the Income-tax Act; and the rates at which "advance tax" is to be paid and tax is to be calculated and charged in special cases for the financial year 1977-78.

Rates of income-tax for the assessment year 1977-78.—Part I of the First Schedule to the Bill specifies the rates of income-tax (including surcharge) on incomes liable to tax for the assessment year 1977-78. These rates are the same as those specified in Part III of the First Schedule to the Finance Act, 1976 for the purpose of deduction of tax at source from "Salaries" and for computation of "advance tax" payable during the financial year 1976-77.

Where a company has made any deposit during the financial year 1976-77 under the Companies Deposits (Surcharge on Income-tax) Scheme, 1976 with the Industrial Development Bank of India, the amount of surcharge on income-tax payable by it for the assessment year 1977-78 will be reduced by the amount of the deposit so made.

Rates for deduction of tax at source during the financial year 1977-78 from incomes other than "Salaries"—Part II of the First Schedule to the Bill specifies the rates at which income-tax (including surcharge where applicable) is to be deducted at source during the financial year 1977-78 from incomes other than "Salaries" and retirement annuities under section 80E(9) of the Income-tax Act. The rates specified in this Part for deduction of tax at source are the same as those specified in Part II of the First Schedule to the Finance Act, 1976 for the purposes of deduction of tax at source during the financial year 1976-77 except for certain modifications. In the case of income by way of winnings from lotteries and crossword puzzles, payable to a resident recipient (other than a company) during the financial year 1977-78, tax will be deductible at the rate of 34.5 per cent (made up of basic income-tax of 30 per cent and surcharge of 4.5 per cent), as against 33 per cent during 1976-77. In the case of incomes by way of interest on securities (not being interest on a tax-free security) or dividends payable to a resident recipient (other than a company) during the financial year 1977-78, tax will be deductible at the rate of 23 per cent as in 1976-77, but this will be made up of basic income-tax of 20 per cent and surcharge of 3 per cent, as against basic income-tax of 21 per cent and surcharge of 2 per cent during 1976-77. In the case of incomes (other than interest on a tax-free security) payable to a non-resident (other than a company) during the financial year 1977-78, tax will be deductible at the minimum rate of 34.5 per cent (made up of income-tax of 30 per cent and surcharge of 4.5 per cent) as against 33 per cent in 1976-77. In the case of interest on a tax-free security payable to a non-corporate non-resident, the rate

for deduction will be 17.25 per cent (made up of income-tax of 15 per cent and surcharge of 2.25 per cent.), as against 16.5 per cent. in 1976-77. In the case of income by way of copyright royalty payable by Indian concerns to foreign companies in pursuance of agreements made after the 31st March, 1976, deduction of tax at source will be made at the lower rate of 40 per cent., irrespective of whether the agreement has been approved by the Central Government or not, if such royalty is in consideration for the transfer of all or any of the rights in respect of copyright in any book on a subject, the books on which are permitted according to the Import Trade Control Policy of the Government of India for the period from 1st April, 1977 to 31st March, 1978, to be imported into India under an Open General Licence.

Rates for deduction of tax at source from "Salaries" and retirement annuities, computation of "advance tax" and charging of income-tax in special cases during the financial year 1977-78—Part III of the First Schedule to the Bill specifies the rates at which income-tax (including surcharge) is to be deducted at source from "Salaries" and retirement annuities referred to in section 80E(9) of the Income-tax Act, and also the rates at which "advance tax" is to be paid and income-tax is to be calculated or charged in special cases for the financial year 1977-78.

These rates are the same as those specified in Part I of the First Schedule to the Bill for the assessment of incomes liable to tax for the assessment year 1977-78, except for the following modifications:—

(i) In the case of individuals, Hindu undivided families, unregistered firms, etc., no tax will be payable if the total income of the assessee does not exceed Rs 10,000. Where the total income exceeds Rs 10,000, the income-tax (excluding surcharge) payable by the assessee will not exceed 70 per cent of the excess of the total income over Rs 10,000. In the case of individuals, Hindu undivided families with no member having independent taxable income exceeding Rs. 10,000, unregistered firms, etc., this marginal provision will cease to operate where the total income exceeds Rs 10,540, while in the case of Hindu undivided families having at least one or more members with independent taxable income exceeding Rs 10,000, it will cease to operate where the total income exceeds Rs. 10,690.

(ii) The rate of surcharge on income-tax in the case of all non-corporate assessees is proposed to be increased from 10 per cent to 15 per cent of such income-tax.

For the purposes of computation of "advance tax" and charging of income-tax in special cases during the financial year 1977-78 in the case of individuals, Hindu undivided families, unregistered firms, etc., having net agricultural income, in addition to non-agricultural income exceeding Rs 10,000, the following special provisions will apply:—

(i) In determining the income-tax (excluding surcharge) payable on the aggregate of the total income and the net agricultural income, the marginal provision specified in Sub-Paragraph I or Sub-Paragraph II of the said Paragraph A will not apply.

(ii) In determining the income-tax (excluding surcharge) on the net agricultural income as increased by the sum of Rs 8,000, the

income-tax will be computed as if the exemption limit was Rs. 8,000 and the marginal provision in Sub-Paragraph I or Sub-Paragraph II of the said Paragraph A will not apply.

(iii) The amount of income-tax determined under (ii) above will be deducted from the income-tax determined under (i) above. The income-tax so determined shall, in no case, exceed 70 per cent. of the excess of the total income over Rs. 10,000.

(iv) The amount so determined shall be increased by a surcharge equal to 15 per cent. of the amount of income-tax.

In the case of companies, the rates of income-tax as also surcharge thereon, specified in Paragraph E of Part III of the First Schedule to the Bill, are the same as those specified in Paragraph E of Part I of the First Schedule to the Bill.

Clause 3 seeks to amend the definition of "short-term capital asset" contained in clause (42A) of section 2 of the Income-tax Act. Under the existing provision, a capital asset held by a person for not more than sixty months immediately preceding the date of its transfer is treated as a "short-term capital asset". The effect of the proposed amendment will be that a capital asset will be treated as a "short-term capital asset" only where the asset has been held by a person for a period not exceeding thirty-six months immediately preceding the date of its transfer.

This amendment will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 4 seeks to amend clause (vii) of sub-section (1) of section 9 of the Income-tax Act.

Sub-clause (a) seeks to insert a proviso in clause (vii). The proposed amendment seeks to provide that income by way of fees for technical services payable in pursuance of an agreement made before 1st April, 1976 and approved by the Central Government shall not be deemed to accrue or arise in India under clause (vii) of section 9(1) if such income is not deemed to accrue or arise under any other provision of the Income-tax Act.

Sub-clause (b) seeks to insert a new *Explanation* in clause (vii). Under this *Explanation*, for the purposes of the aforesaid proviso, an agreement made on or after the 1st day of April, 1976 shall be deemed to have been made before that date if the agreement is made in accordance with the proposals approved by the Central Government before that date.

These amendments take effect from 1st April, 1977, and will accordingly apply in relation to assessment year 1977-78 and subsequent years.

Clause 5 seeks to make certain amendments in section 10 of the Income-tax Act.

Sub-clause (a) seeks to insert a new item in sub-clause (i) of clause (6) of section 10 of the Income-tax Act. The proposed amendment seeks to exempt the passage moneys or the value of any free or concessional passage received by a foreign employee from his employer to meet the cost of travel of his children having full time education in any educational institution outside India in connection with their proceeding to India.

during any vacation. This amendment will take effect retrospectively from 1st April, 1972 and will accordingly apply in relation to the assessment year 1972-73 and subsequent years.

Sub-clause (b) seeks to amend clause (26A) of section 10 of the Income-tax Act retrospectively with effect from 1st April, 1975 so as to revive the exemption from income-tax which was available in the case of persons resident in the district of Ladakh up to and including the assessment year 1974-75, for a further period of five years, i.e., for the assessment years 1975-76 to 1979-80.

Clause 6 seeks to amend clause (b) of sub-section (2) of section 11 of the Income-tax Act

Under the existing provisions of sub-section (2), a charitable or religious trust or institution can accumulate or set apart a specified portion of its income for purposes of application to charitable or religious purposes within a specified period. The amount so accumulated or set apart is required to be deposited, *inter alia*, with any banking company to which the Banking Regulation Act, 1949 applies. The proposed amendments seek to restrict such deposits with only scheduled banks including the State Bank of India or its subsidiaries or nationalised banks. This restriction will, however, not apply in relation to amounts deposited or which continue to remain deposited during any previous year commencing before the 1st day of April, 1981.

These amendments will take effect from 1st April, 1978.

Clause 7 seeks to make certain amendments in section 13 of the Income-tax Act

Sub-clause (a) seeks to amend clause (d) of sub-section (1) of section 13 of the Act. Under the existing provisions, if any funds of a charitable or religious trust or institution are invested or deposited or remain invested or deposited in any forms or modes other than those specified in sub-section (5) of section 13 at any time during any previous year commencing on or after 1st April, 1978, the income of the said trust will lose exemption from income-tax. The proposed amendment seeks to extend the date for compliance with this provision by three years. The effect of this amendment will be that the charitable or religious trusts or institutions would be required to comply with the provisions of sub-section (5) of section 13 in relation to any previous year commencing on or after 1st April, 1981.

Sub-clause (b) seeks to substitute sub-clause (iii) of clause (a) of sub-section (5) of section 13 of the Act. Under the existing provisions of sub-clause (iii) of section 13(5)(a), a charitable or religious trust or institution has to deposit its funds with the State Bank of India or any of its subsidiaries or any nationalised bank. Under the proposed provision, such funds can be deposited with any scheduled bank or a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank). For the purposes of this sub-clause, the term 'scheduled bank' will have the same meaning as in sub-clause (ii) of section 11(2)(b) proposed to be substituted by clause 6 of this Bill.

These amendments will take effect from 1st April, 1978

Clause 8 seeks to insert an *Explanation* in clause (ix) of sub-section (1) of section 24. The *Explanation* seeks to provide that the deduction in respect of vacancy allowance under the said clause shall be made irrespective of whether the period during which the property or, as the case may be, part of the property was vacant precedes or follows the period during which it is let

This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years

Clause 9 seeks to amend section 32A of the Income-tax Act.

Sub-clause (a) seeks to enlarge the scope of the existing provision and provide that investment allowance will be granted in respect of machinery and plant installed for the purposes of business of construction, manufacture or production of all articles and things, except articles and things specified in the list in the Eleventh Schedule. A special dispensation has been provided in respect of machinery and plant installed in small-scale industrial undertakings before 1st July, 1977. Such machinery and plant will be eligible for investment allowance irrespective of whether it is used for the purposes of business of construction, manufacture or production of an article or thing specified in the list in the Eleventh Schedule

Sub-clause (b) seeks to insert two new sub-sections, namely, sub-sections (2A) and (2B) in section 32A

New sub-section (2A) seeks to provide that the deduction in respect of investment allowance shall not be denied in respect of machinery or plant installed and used *mainly* for the purposes of business of construction, manufacture or production of any article or thing merely on the ground that such machinery or plant is used *in part* for the purposes of business of construction, manufacture or production of an article or thing specified in the list in the Eleventh Schedule

New sub-section (2B) seeks to provide for the grant of investment allowance at the higher rate of thirty-five per cent in respect of machinery and plant installed for the manufacture or production of any article or thing which is manufactured or produced by using any technology or other know-how developed in, or which is invented by, a laboratory owned or financed by the Government or a laboratory owned by a public sector company or a University. The deduction at the higher rate will be available only where the conditions specified in the new sub-section (2B) are fulfilled.

Sub-clause (c) seeks to insert a new sub-section (8A) in section 32A. The new sub-section empowers the Central Government to add, by notification in the Official Gazette, any article or thing specified in the list in the Eleventh Schedule. However, any addition so made shall have effect only in relation to any machinery or plant installed one year after the date of publication of the notification

These amendments will take effect from 1st April, 1978, and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 10 seeks to insert a new section 35CC in the Income-tax Act. The new section provides for the deduction, in the computation of taxable profits, of expenditure incurred by a company after 30th June, 1977 on a programme of rural development. The deduction will be admissible only in cases where the previous approval of the prescribed authority has been obtained to the programme of rural development. Where the expenditure incurred by the company results in the acquisition or creation of an asset, being building, machinery, plant or furniture, and the company does not divest itself of the ownership of such asset during the relevant previous year, the company will not get deduction in respect of such expenditure, but it will be entitled to the grant of depreciation allowance in respect of such asset. Companies claiming a deduction under the proposed provision will be required to furnish, along with the return of income, a statement of such expenditure in the prescribed form, duly signed and verified in the prescribed manner by a chartered accountant and containing such other particulars as may be prescribed.

The amendment will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 11 seeks to substitute sub-clause (b) of clause (viii) of sub-section (1) of section 36 of the Income-tax Act by a new sub-clause. Under the existing provisions, financial corporations engaged in providing long-term finance for industrial or agricultural development in India are entitled to a deduction in the computation of their profits, of the amounts transferred by them out of such profits to a special reserve account, up to a specified percentage of their taxable income. In the case of a Financial Corporation or a Joint Financial Corporation established under the State Financial Corporations Act, 1951 or any institution deemed under section 46 of that Act to be a Financial Corporation established by the State Government for the State within the meaning of that Act, the deduction is admissible up to 40 per cent of such profits carried to the special reserve account. In the case of other financial corporations, the deduction is allowed at differential rates depending on the paid-up share capital of the corporation. Where the paid-up share capital of the financial corporation does not exceed rupees three crores, the deduction is admissible up to 25 per cent of the profits, whereas in the case of financial corporations having paid-up share capital exceeding rupees three crores, the deduction is limited to 10 per cent of such profits. The proposed amendment seeks to provide a uniform rate of deduction of 25 per cent in the case of all such financial corporations.

This amendment will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clauses 12 and 14 seek to amend sections 50 and 55 of the Income-tax Act. Under the existing provisions, in computing the capital gains arising on the transfer of a capital asset, an assessee is given an option to substitute the fair market value of the asset as on 1st January, 1954 for its cost of acquisition in cases where such asset was acquired by the assessee prior to that date. This option is also available in cases where such asset became the property of the assessee by any of the modes specified in sub-section (1) of section 49 and the asset was acquired by the "previous owner of the property" prior to the said date. Under the

proposed amendments, the assessee will have the option to substitute the fair market value of the asset as on 1st January, 1964 for its cost of acquisition where the asset was acquired by the assessee or, as the case may be, by the "previous owner" prior to that date

These amendments will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years

Clause 13 seeks to insert a new section 54E in the Income-tax Act. The new section seeks to provide that where any capital asset is transferred and specified assets are acquired within six months of such transfer, the long-term capital gains arising from the transfer will not be liable to tax if the whole of the full value of the consideration for the transfer is used in acquiring the specified asset. Where only a part of such consideration is used in acquiring the specified asset, a proportionate part of the capital gains will not be liable to tax.

The taxpayer will be required to hold the new asset for a period of three years. The exemption will be forfeited if the taxpayer transfers the new asset before the end of the specified period.

This amendment will take effect from the 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 15 seeks to insert a new section 72A in the Income-tax Act relating to carry forward and set off of accumulated loss and unabsorbed depreciation allowance in certain cases of amalgamation.

The new section seeks to provide that where a company, owning an industrial undertaking amalgamates with another company, the accumulated loss and the unabsorbed depreciation allowance of the amalgamating company shall be deemed to be the loss or the depreciation allowance of the amalgamated company of the previous year in which the amalgamation was effected. This benefit will be available in cases where the Central Government is satisfied, on the recommendation of the specified authority, that the accumulated loss of the amalgamating company on the last day of the previous year preceding the year in which the amalgamation was effected, exceeded fifty per cent. of the paid-up share capital and the reserves, the amalgamating company was not financially viable immediately before the amalgamation, the amalgamation was in the public interest, and the amalgamation fulfils such other conditions as may be laid down by the Central Government by notification in the Official Gazette, to ensure that the benefit under the section is restricted to amalgamations which would facilitate the rehabilitation or revival of the business of the amalgamating company.

For the purpose of carry forward and set off of such loss or allowance for depreciation in any subsequent assessment year, the amalgamated company will have to satisfy the following conditions, namely:—

- (a) during the previous year relevant to such assessment year, the amalgamated company carries on the business of the amalgamating company without any modification or re-organisation or with such modification or re-organisation as may be approved by the Central Government to enable the amalgamated company to carry on such business more economically or more efficiently; and

(b) the amalgamated company furnishes a certificate from the specified authority with its return of income for the said assessment year to the effect that adequate steps have been taken by that company for the rehabilitation or revival of the business of the amalgamating company.

This amendment will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 16 seeks to amend section 80G of the Income-tax Act.

Under the amendment proposed in sub-clause (a), the ceiling limit on the amount of donation which qualifies for deduction under section 80G is being raised from Rs 2 lakhs to Rs 5 lakhs. As a consequential amendment, the existing proviso to sub-section (4) of section 80G, which provides for raising the limit for donations in respect of sums paid for the renovation or repair of notified temples, mosques, etc. to Rs. 5 lakhs, is being omitted by sub-clause (b).

These amendments will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 17 seeks to insert a new sub-section (9A) in section 80HH of the Income-tax Act. Under the proposed amendment, where a deduction in relation to the profits and gains of a small-scale industrial undertaking to which new section 80HHA (proposed to be inserted by clause 18 of this Bill) applies is claimed and allowed under that section for any assessment year, deduction in relation to such profits and gains shall not be allowed under section 80HH for the same or any other assessment year.

Clause 18 seeks to insert a new section 80HHA in the Income-tax Act. Under the new section, a taxpayer deriving profits and gains from a new small-scale industrial undertaking set up in any rural area will be entitled to a deduction, in the computation of his total income, of an amount equal to 20 per cent. of such profits and gains. The deduction will be admissible for a period of ten assessment years beginning with the assessment year relevant to the previous year in which the small-scale industrial undertaking commences production of any articles. The deduction will be allowed only if the small-scale industrial undertaking fulfils the conditions specified in the new section.

This amendment will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 19 seeks to substitute section 80RRA of the Income-tax Act by a new section.

Under the existing provisions of section 80RRA, Indian technicians, etc., rendering service outside India under or for a foreign employer, for short duration, are entitled to a deduction in the computation of their total income, of fifty per cent. of the remuneration received by them from the foreign employer. Under the new provision, persons rendering service outside India would be eligible for this tax concession in relation to the remuneration paid to them in foreign currency irrespective of whether such services are rendered under or for a foreign employer or an Indian concern.

The new provision will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years

Clause 20 seeks to substitute sub-section (4) of section 104 of the Income-tax Act by a new sub-section and *Explanation*. The proposed amendment seeks to exempt closely-held companies whose business consists *mainly* in the construction of ships or in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power from the requirement of compulsory distribution of dividends.

This amendment will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 21 seeks to make certain amendments in section 109 of the Income-tax Act.

Sub-clause (a) seeks to omit clause (1a) of section 109. The amendment is consequential to the amendment proposed under clause 20.

Sub-clause (b) seeks to make two amendments in clause (iii) of section 109 of the Act. The first amendment is consequential to the amendment proposed under clause 20. The second amendment seeks to exempt a closely-held Indian company a part of whose gross total income consists of profits and gains attributable to the business of construction of ships or of manufacture or processing of goods or of mining or of generation or distribution of electricity or any other form of power from the requirement of compulsory distribution of dividends up to the statutory percentage in respect of so much of its gross total income as consists of profits and gains attributable to the said business.

These amendments will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 22 seeks to amend section 115A of the Income-tax Act.

The amendment in sub-clause (b) seeks to secure that royalty received by a foreign company from an Indian concern will be chargeable to tax at the concessional rate of forty per cent. in cases where the royalty is received in consideration for the transfer of the copyright in any book on a subject the books on which are, according to the Import Trade Control Policy of the Government of India for April, 1977 to March, 1978, permitted to be imported into India under an Open General Licence, irrespective of whether the agreement under which the royalty is paid is approved by the Central Government or not.

The other amendment is of a consequential nature.

These amendments will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years

Clause 23 seeks to insert a new sub-section (10A) in section 155 of the Income-tax Act.

The proposed amendment seeks to provide that where in relation to any assessment year, capital gain arising from the transfer of a long-term capital asset is charged to tax and within a period of six months from the date of such transfer, the assessee makes any investment or deposit in any specified asset within the meaning of *Explanation 1*, to sub-section (1) of section 54E proposed to be inserted by clause 13, the Income-tax Officer shall amend the order of assessment so as to exclude the amount of the capital gain not chargeable to tax under section 54E.

This amendment will take effect from 1st April, 1978 and will accordingly apply in relation to the assessment year 1978-79 and subsequent years.

Clause 24 seeks to insert a new proviso in section 194 of the Income-tax Act. The new proviso seeks to provide that no deduction of tax at source shall be made from dividends paid to any shareholder, not being a company, if the shareholder is a resident in India, the amount of such dividend does not exceed two hundred and fifty rupees; and the shareholder furnishes to the person responsible for paying the dividend a statement in writing declaring that his estimated total income of the previous year in which such dividend is to be included under the provisions of section 8 will be less than the minimum liable to tax. The statement to be furnished in this regard will be in the prescribed form and verified in the prescribed manner.

This amendment will take effect from 1st October, 1977.

Clause 25 seeks to insert a new section 206B in the Income-tax Act. The proposed new section seeks to provide that the principal officer of a company who is responsible for paying any dividend to a shareholder shall, within thirty days of the end of each financial year, furnish in the prescribed form and verified in the prescribed manner a return in writing showing the name and address of every person who has furnished to him a statement under the first proviso to section 194 proposed to be inserted under clause 24, the amount of dividend paid or distributed during the financial year to each such person and such other particulars as may be prescribed.

This amendment will take effect from 1st October, 1977.

Clause 26 seeks to substitute clause (c) of sub-section (2) of section 208 of the Income-tax Act.

In the case of a person, other than a company, local authority or registered firm, advance tax is payable only where the income of the person subject to advance tax exceeds Rs. 5,000, where the person is a non-resident and Rs. 10,000 in any other case. The proposed amendment seeks to specify a uniform limit of Rs. 10,000 irrespective of whether such person is a resident or a non-resident.

This amendment will take effect from 1st September, 1977.

Clause 27 seeks to make certain amendments in section 273 of the Income-tax Act with a view to remove a lacuna. Under the existing provisions of section 273, no penalty can be imposed in a case where the assessee furnishes under sub-section (3A) of section 212 an estimate of the advance-tax which he knew or had reason to believe to be untrue. The proposed amendment seeks to remove this lacuna and provide that

the penalty imposable in such cases shall not be less than 10 per cent. but shall not exceed 150 per cent. of the amount by which the advance tax actually paid during the financial year falls short of 75 per cent. of the assessed tax. For this purpose, any amount paid by the assessee within the time extended by the Commissioner under the proviso to sub-section (3A) of section 212 shall also be regarded as payment of advance tax during the relevant financial year.

These amendments will take effect from 1st September, 1977

Clause 28 seeks to insert a new Eleventh Schedule in the Income-tax Act containing the list of articles or things. This amendment is consequential to the amendment of section 32A of the Income-tax Act by clause 9 of the Bill.

Clause 29 seeks to make certain amendments of a consequential nature in different provisions of the Income-tax Act.

The amendments proposed in sub-clauses (1)(a) and (1)(b) are consequential to the insertion of a new *Explanation* to clause (vii) of sub-section (1) of section 9 and the renumbering of the existing *Explanation* by clause 4 of the Bill.

The amendment proposed in sub-clause (2)(a) is consequential to the insertion of a new section 54E proposed to be made by clause 13 of the Bill.

The amendments proposed in sub-clauses (2)(b), (2)(c), (2)(d) and (2)(e) are consequential to the insertion of a new section 80HHA proposed to be made by clause 18 of the Bill.

The amendment proposed in sub-clause (2)(f) is consequential to the substitution of sub-clauses (ii) and (iii) of section 32A(2)(b) by sub-clause (a) of clause 9 of the Bill.

Clause 30 seeks to substitute Part I of Schedule I to the Wealth-tax Act, 1957.

Under clause (a) of section 27(6) of the Finance Act, 1976, a new Part was substituted in place of Part I, as it stood prior to the amendment, substantially reducing the rates of ordinary wealth-tax in the case of individuals and Hindu undivided families, with effect from the 1st day of April, 1977. Under the proposed amendment, Part I is to be substituted by another Part to prescribe the rates of ordinary wealth-tax in the case of individuals and Hindu undivided families. These rates will take effect from 1st April, 1977.

Under the proposed amendment, the existing first slab of net wealth in the case of individuals and Hindu undivided families has been broken up in two parts, namely, up to Rs 2,50,000 and Rs 2,50,001—5,00,000. The rate applicable to the first slab of net wealth, i.e., up to Rs 2,50,000 will remain unchanged at $\frac{1}{2}$ % in the case of individuals and Hindu undivided families not having one or more members with independent net wealth exceeding Rs 1,00,000. In the case of Hindu undivided families having one or more members with independent net wealth exceeding Rs. 1 lakh the existing rate of tax at $1\frac{1}{2}$ % has been retained in respect of the first slab of net wealth up to Rs 2,50,000.

Under the proposed amendment, the following rates of ordinary wealth-tax in the case of individuals and Hindu undivided families, not having one or more members with independent net wealth exceeding Rs 1 lakh have been specified —

<i>Slab of net wealth</i>	<i>Rate of tax</i>
Up to Rs. 2,50,000	. 1 1/2 per cent. (same as at present);
Rs. 2,50,001—Rs. 5,00,000	. 1 per cent. (as against 1 1/2 per cent at present);
Rs. 5,00,001—Rs. 10,00,000	. 2 per cent. (as against 1 1/2 per cent. at present);
Rs. 10,00,001—Rs. 15,00,000	. 2 1/2 per cent. (as against 2 per cent. at present);
Over Rs. 15,00,000	3 1/2 per cent. (as against 2 1/2 per cent at present).

In the case of Hindu undivided families having one or more members with independent net wealth exceeding Rs 1,00,000, the following rates of wealth-tax have been specified —

<i>Slab of net wealth</i>	<i>Rate of tax</i>
Up to Rs. 2,50,000	. 1 1/2 per cent. (same as at present);
Rs. 2,50,001—Rs. 5,00,000	. 2 per cent. (as against 1 1/2 per cent. at present);
Rs. 5,00,001—Rs. 10,00,000	. 2 1/2 per cent. (as against 2 per cent. at present);
Over Rs. 10,00,000	. 3 1/2 per cent. (as against 2 1/2 per cent. at present).

No wealth-tax will be payable in the case of individuals as well as Hindu undivided families if their net wealth does not exceed Rs 1,00,000. Further, the wealth-tax payable shall in no case exceed 5 per cent of the amount by which the net wealth exceeds Rs. 1,00,000.

This amendment will take effect from 1st April, 1977 and will accordingly apply in relation to the assessment year 1977-78 and subsequent years.

Clause 31 read with the Second Schedule, seeks to raise the rates of import duty on —

- (i) cinematograph film, exposed;
- (ii) yarn of man-made fibres;
- (iii) wool, raw and wool tops;
- (iv) man-made fibres and waste;
- (v) laboratory, chemical or industrial wares of ceramic material
- (vi) wrought plates, sheets, strips and foil, of unalloyed aluminium;
- (vii) certain electronic office machines
- (viii) electric motors,

- (ix) transformers and inductors;
- (x) ferrite permanent magnets and articles of ferrite for permanent magnets,
- (xi) electrical line telephonic and telegraphic apparatus,
- (xii) microphones, loud-speakers and audio-frequency electric amplifiers;
- (xiii) radio-telegraphic and radio-telephonic transmission and reception apparatus, radio navigational aid apparatus, radar apparatus, radio remote control apparatus;
- (xiv) certain electronic components,
- (xv) electronic parts or accessories for various instruments,

Clause 32 read with the Third Schedule, seeks—

(a) to raise the rates of basic excise duty on—

- (1) Unmanufactured tobacco.
- (2) Piris,
- (3) Synthetic organic products,
- (4) Paper board and paper other than printing and writing paper;
- (5) Cement other than grey portland cement. etc ;
- (6) Steel ingots.
- (7) All other goods, not elsewhere specified;

(b) to raise the rates of basic excise duty as a consequence of merger of auxiliary excise duties with basic excise duties on—

- (1) Cigars and cheroots
- (2) Cigarettes,
- (3) Smoking mixtures for pipes and cigarettes;
- (4) Glycerine;
- (5) Synthetic organic dyestuffs;
- (6) Cosmetics and toilet preparations;
- (7) Rubber products (except latex foam sponge on which duty is being reduced);
- (8) Plywood;
- (9) Copper and copper alloys;
- (10) Iron or steel products,
- (11) Zinc.

(c) to change the tariff description and/or to restructure the duty rates in respect of—

- (1) Synthetic rubber;
- (2) Man-made fibres, man-made filament yarns and cellulosic spun yarn;
- (3) Cotton yarn;
- (4) Woollen and acrylic spun yarn;

- (5) Silk yarn,
- (6) Jute yarn;
- (7) Non-cellulosic spun yarn;
- (8) Cotton fabrics;
- (9) Silk fabrics,
- (10) Woollen fabrics;
- (11) Man-made fabrics,
- (12) Jute manufactures;
- (13) Flax fabrics and Ramie fabrics;
- (14) Electric motors,

(d) to change the tariff description of—

(1) Item No 1A relating to confectionery and to exclude boiled sweets, toffees, caramels, etc from its scope;

(2) Item No 1C relating to food products and to include butter other than pasteurised butter also within its scope,

(3) Item No 1D relating to aerated waters and to modify the basis of assessment from specific to *ad valorem*;

(4) Item No 14 relating to paints and varnishes and to modify the basis of assessment from specific to *ad valorem*,

(5) Item No 14H relating to gases and to include acetylene within its scope and also to raise the rates of basic duty following merger of basic duty with auxiliary duty;

(6) Item No 15A relating to plastics and to restructure the rates of basic duty following merger of basic duty with auxiliary duty;

(7) Item No 27 relating to aluminium for including within its scope shapes and sections in any form or size, and to raise the rates of basic duty following merger of basic duty with auxiliary duty;

(8) Item No 28 relating to tin plates and to include within its scope lacquered sheets and varnished sheets, and also to raise the basic duty;

(9) Item No. 33 relating to electric fans and to include regulators for electric fans within its scope;

(10) Item No 33A relating to wireless receiving sets so as to include combination sets incorporating tape or cassette players, and to modify the basis of assessment from specific to *ad valorem*, and also to raise the rates under some of the sub-items;

(11) Item No 34 relating to motor vehicles and also to restructure the rates of duties including raising of duty on two-wheeled and three-wheeled motor vehicles,

(12) Item No 34A relating to parts and accessories of motor vehicles not otherwise specified consequent to the change in the tariff description of Item No. 34;

(13) Item No. 37 relating to cinematograph films and to modify the basis of assessment of exposed cinematograph films other than news-reels and shorts from specific to *ad valorem*;

(14) Item No 37AA relating to tape recorders and to include tape or cassette players and tape decks within its scope and also to modify the basis of assessment from specific to *ad valorem*;

(15) Item No 51A relating to cutting tools and to include other types of tools including industrial knives and blades within its scope,

(e) to include new items in the central excise tariff for—

- (1) Polishes and creams,
- (2) Flax yarn and Ramie yarn;
- (3) Stereo or hi-fi-systems,
- (4) Watches, clocks and timepieces;
- (5) Weighing machinery and appliances;
- (6) Electric lighting fittings;

(f) to omit—

- (1) Item No 47 relating to slotted angles and channels,
- (2) Item No 59 relating to electric insulating tapes.

Clause 33 read with the Fourth Schedule seeks to amend the Additional Duties of Excise (Goods of Special Importance) Act, 1957 and the First Schedule thereto to—

(1) raise the additional excise duty on birds;

(2) do away with different rates of additional excise duty on cotton fabrics of different types and to provide for a common rate of duty on such fabrics based on their value;

(3) substitute the expression "rayon or artificial silk fabrics" by the expression "man-made fabrics" consequent to the change in the tariff description of Item 22 of the First Schedule to the Central Excises Act

Clause 34 seeks to insert a new section 24A in the Khadi and Village Industries Commission Act, 1956 so as to exempt the Khadi and Village Industries Commission established under the said Act from payment of tax under the Income-tax Act, 1961. The proposed provision will apply retrospectively from 1st April, 1962, that is to say, the date of commencement of the Income-tax Act, 1961.

Clause 35 seeks to amend section 23 of the Finance Act, 1973. The effect of the amendment will be that the Credit Guarantee Corporation of India Limited (a company formed and registered under the Companies Act, 1956) which was exempted from income-tax and surtax up to the assessment year 1976-77 will be exempted from income-tax and surtax for the assessment years 1977-78 and 1978-79 as well.

Clause 36 seeks to make certain amendments in the Compulsory Deposit Scheme (Income-tax Payers) Act, 1974.

Sub-clause (a)(i) seeks to amend sub-section (1) of section 3 of the Act. The amendment seeks to extend the requirement of making compulsory deposits for the assessment years 1978-79 and 1979-80 as well.

Sub-clause (a)(ii) seeks to insert a new sub-section (3) in section 3 of the Act. The new sub-section seeks to provide that an individual, being a citizen of India, who is above seventy years of age on the first day of the financial year immediately preceding the assessment year will not be liable to make any compulsory deposit in relation to that assessment year. Any representative assessee who is assessable in respect of the total income of such an individual will also not be required to make any compulsory deposit. This amendment will take effect from 1st September, 1977 and will accordingly apply in relation to compulsory deposits required to be made during the financial years 1977-78 and 1978-79 in relation to the assessment years 1978-79 and 1979-80.

Sub-clause (b) seeks to substitute clause (ii) of sub-section (1) of section 4 of the Act by a new clause. The amendment seeks to secure that in relation to the assessment years 1978-79 and 1979-80 also, compulsory deposits will be made at the rates specified in Paragraph B of the Schedule to the Act.

Clause 37 seeks to insert a new section 22A in the Oil Industry (Development) Act, 1974 so as to exempt the Oil Industry Development Board established under the said Act from payment of income-tax under the Income-tax Act, 1961 on its income, profits or gains. The proposed provision will apply retrospectively from the date of enactment of the Oil Industry (Development) Act, 1974.

Clause 38 seeks to make certain amendments in the Voluntary Disclosure of Income and Wealth Act, 1976.

The proposed amendments seek to provide that in relation to declarations made under sub-section (1) of section 14, the immunity from penalty, etc. will be available if the declarant pays before 1st January, 1978 the income-tax remaining unpaid and simple interest at twelve per cent. per annum on the amount remaining unpaid on 31st March, 1976, from 1st April, 1976 up to the date of payment. In relation to declarations made under sub-section (1) of section 15, the immunity will be available if the declarant pays the wealth-tax remaining unpaid and simple interest in the manner aforesaid and also invests the required amount in the specified Government securities before 1st January, 1978.

Clause 39, read with the Fifth Schedule, seeks to make certain amendments in the Income-tax Act, 1961, the Wealth-tax Act, 1957, the Gift-tax Act, 1958, the Companies (Profits) Surtax Act, 1964 and the Interest-tax Act, 1974 to provide for a new appellate authority, namely, Commissioners (Appeals), for the purposes of the said Acts.

Under the amendments to the Income-tax Act, 1961, the Wealth-tax Act, 1957 and the Gift-tax Act, 1958, the new appellate authority [Commissioners (Appeals)] will have jurisdiction in respect of certain appeals involving large revenue implications and appeals from orders made by or under the direction or approval of the Inspecting Assistant Commissioner. Pending appeals of a similar nature under these enactments, will stand transferred to the Commissioners (Appeals). [Vide Item 14 of Part I, item 8 of Part II and item 8 of Part III of the Fifth Schedule].

Under the amendments to the Companies (Profits) Surtax Act, 1964, and the Interest-tax Act, 1974, the appellate jurisdiction at present exercised under these Acts by Appellate Assistant Commissioners will

stand transferred both in respect of pending appeals as also future appeals to the Commissioners (Appeals) [Vide item 1 (read with section 11) of the Companies (Profits) Surtax Act, 1964, item 3 of Part IV, item 1 (read with section 15) of the Interest-tax Act, 1974, and item 3 of Part V of the Fifth Schedule].

The other amendments, proposed in the Schedule, make provisions for matters, such as, appointment, functions, powers, etc., of the Commissioners (Appeals), the procedure to be followed by them in hearing appeals and for necessary consequential changes.

The amendments will come into force on such date as may be appointed by the Central Government by notification in the Official Gazette

Clause 40 seeks to repeal section 2 of the Finance Act, 1977. Since it is proposed to merge the auxiliary duties of excise with the basic duties of excise leviable under the First Schedule to the Central Excises and Salt Act, 1944, it is no longer necessary to have a separate provision for the levy of auxiliary duties of excise. Hence section 4 of the Finance Act, 1977, which provides for the levy of auxiliary duties of excise with effect from the 1st day of July, 1977 is also proposed to be repealed by that clause.

FINANCIAL MEMORANDUM

INCOME-TAX AND OTHER DIRECT TAXES

Clause 39 of the Bill read with the Fifth Schedule provides for the appointment of Commissioners of Income-tax (Appeals) for the purposes of the Income-tax Act, 1961. Commissioners of Income-tax (Appeals) will also be the Commissioners (Appeals) for the purposes of the Wealth-tax Act, 1957, the Gift-tax Act, 1958, the Companies (Profits) Surtax Act, 1964 and the Interest-tax Act, 1974. They will have the same status as Commissioners of Income-tax.

2. For the present, it is proposed to upgrade 70 existing posts of Appellate Assistant Commissioners of Income-tax as the posts of Commissioners of Income-tax (Appeals). The expenditure on this account is estimated at about Rs. 2.53 lakhs per annum as indicated herein below:—

(1) Difference between the average monthly emoluments of an Appellate Assistant Commissioner of Income-tax and a Commissioner of Income-tax (Appeals) Rs 301

(ii) Annual cost of upgradation of 70 posts . $\text{Rs. } 301 \times 12 \times 70 = \text{Rs. } 2,52,840$
or say Rs. 2,53,000.

3 The non-recurring expenditure would be negligible.

Indirect taxes

Clauses 31, 32 and 33 of the Bill, read with the Second Schedule, the Third Schedule and the Fourth Schedule, respectively, if enacted and brought into operation, will not involve any additional expenditure from the Consolidated Fund of India

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 9 of the Bill seeks to amend section 32A of the Income-tax Act. New sub-section (2B), proposed to be inserted in section 32A, seeks to provide for the grant of investment allowance at the higher rate of thirty-five per cent. in respect of machinery and plant installed for the manufacture or production of any article or thing which is manufactured or produced by using any technology or other know-how developed in, or which is invented by, a laboratory owned or financed by the Government or a laboratory owned by a public sector company or a University. One of the conditions stipulated for the deduction at the higher rate is that the assessee should furnish, along with his return of income, a certificate from the authority to be prescribed by rules to the effect that such article or thing is manufactured or produced by using such technology or other know-how developed in such laboratory or is an article or thing invented in such laboratory.

Clause 10 of the Bill seeks to insert a new section 35CC in the Income-tax Act. The new section provides for deduction of expenditure incurred by a company on any programme of rural development. Under the proviso to sub-section (1) of the new section, the assessee has to obtain the approval of the authority to be prescribed by rules in respect of such programme before incurring the expenditure. Under sub-section (3) of the new section, no deduction shall be allowed in respect of such expenditure unless the company furnishes along with the return of income for the assessment year for which the deduction is claimed, a statement of such expenditure in the form to be prescribed by rules duly signed and verified by an accountant as defined in the *Explanation* below sub-section (2) of section 288 and setting forth the particulars to be prescribed by rules.

Clause 18 of the Bill seeks to insert a new section 80HHA in the Income-tax Act. The new section provides for deduction in respect of profits and gains from newly established small-scale industrial undertakings in certain areas. Under sub-section (4) of the new section, such deduction shall not be admissible in the case of an assessee (other than a company or co-operative society) unless the assessee furnishes, along with his return of income a report of the audit of the accounts of the undertaking in the form to be prescribed by rules, duly signed and verified by the accountant who has audited such accounts.

Clause 19 of the Bill seeks to substitute a new section for section 80RRA of the Income-tax Act. Under the new section, provision has been made for deduction in respect of remuneration received for services rendered outside India. Under sub-section (2) of that section, in the case of an individual (not being an employee of Government), the deduction will be available only in cases where the individual is a technician and the terms and conditions of his service outside India are approved by the Central Government or such authority as may be prescribed by rules made in this behalf. In order to be a technician for the purposes of this section, a person should have specialised knowledge and experience in the fields specified in clause (c) of the *Explanation*. Under item (vi) of that clause, the Central Board of Direct Taxes is being empowered to make rules to specify the other fields.

Clause 20 of the Bill seeks to substitute a new sub-section for sub-section (4) of section 104 of the Income-tax Act. Under clause (b) of the proposed sub-section (4) the provisions of section 104 will not apply to a company which is neither an Indian company nor a company which has made the prescribed arrangements for the declaration and payment of dividends within India. Clause (b) of sub-section (4) corresponds to the existing sub-section (4) of section 104 and, in substance, no fresh delegation of power is involved.

Clause 24 of the Bill seeks to insert a proviso in section 194 of the Income-tax Act relating to deduction of income-tax from dividends paid by companies to the shareholders. Under the proviso as proposed to be inserted, no deduction of income-tax from dividends shall be made if the shareholder furnishes to the person responsible for paying the dividends a statement in writing in the form to be prescribed by rules and verified in the manner to be prescribed by rules declaring that his estimated total income of the previous year in which such dividend is to be included under the provisions of section 8 will be less than the minimum liable to income-tax.

Clause 25 of the Bill seeks to insert a new section 206B in the Income-tax Act. Under the new section any person responsible for paying any dividend referred to in section 194 shall prepare and deliver or cause to be delivered to the Income-tax Officer in the form to be prescribed by rules and verified in the manner to be prescribed by rules a return showing the particulars specified in that section.

Clause 39 of the Bill, read with the Fifth Schedule thereto, seeks to make various amendments in the Income-tax Act, 1961, the Wealth-tax Act, 1957, the Gift-tax Act, 1958, the Companies (Profits) Surtax Act, 1964 and the Interest-tax Act, 1974, to provide for a new appellate authority under these Acts. As a result of these amendments, the ambit of the power to make rules under section 295 of the Income-tax Act, section 46 of the Wealth-tax Act, section 46 of the Gift-tax Act, section 25 of the Companies (Profits) Surtax Act and section 27 of the Interest-tax Act, will become enlarged to cover *inter alia* the form and the manner in which any appeal may be made to the Commissioner (Appeals), the fee payable in respect thereof, the circumstances in which, the conditions subject to which and the manner in which the Commissioner (Appeals) may permit an appellant to produce evidence which he did not produce or which he was not allowed to produce before the authority from whose orders the appeal has been preferred, and other matters relating to such appeals. The provisions relating to the making of rules which will become so enlarged are existing provisions of these Acts and they will apply in relation to Commissioner (Appeals) in the same manner as they apply at present in relation to the Appellate Assistant Commissioner or other appellate authorities.

The delegation of legislative power under the aforementioned provisions relates to matters of procedure or administrative detail or to matters in respect of which it is not practicable to make detailed provisions. Hence the delegation of legislative power is of a normal character.

BILL No 52 OF 1977

A Bill to authorise payment and appropriation of certain sums from and out of the Consolidated Fund of India for the services of the financial year 1977-78 for the purposes of Railways.

Be it enacted by Parliament in the Twenty-eighth Year of the Republic of India as follows:—

Short
title.

1. This Act may be called the Appropriation (Railways) No. 2 Act, 1977.

Issue of
Rs 3728,
79,70,000
out of the
Consoli-
dated
Fund of
India for
the finan-
cial year
1977-78.

2 From and out of the Consolidated Fund of India there may be paid and applied sums not exceeding those specified in column 3 of the Schedule amounting in the aggregate [inclusive of the sums specified in column 3 of the Schedule to the Appropriation (Railways) Vote on Account Act, 1977] to the sum of three thousand seven hundred twenty-eight crores, seventy-nine lakhs and seventy thousand rupees towards defraying the several charges which will come in force of payment during the financial year 1977-78, in respect of the services relating to railways specified in column 2 of the Schedule. 3 of 1977.

Appro-
priation.

3. The sums authorised to be paid and applied from and out of the Consolidated Fund of India by this Act shall be appropriated for the services and purposes expressed in the Schedule in relation to the said year.

THE SCHEDULE
(See sections 2 and 3)

1 No. of Vote	2 Services and purposes	3 Sums not exceeding		
		Voted by Parliament	Charged on the Consoli- dated Fund	Total
		Rs.	Rs.	Rs.
1	Railway Board	2,51,88,000	..	2,51,88,000
2	Miscellaneous Expenditure . . .	12,16,84,000	3,00,000	12,19,84,000
3	Payments to Worked Lines and Others	46,68,000	..	46,68,000
4	Working Expenses—Administration	158,69,39,000	2,38,000	158,71,77,000
5	Working Expenses—Repairs and Maintenance	667,58,82,000	15,47,000	667,74,29,000
6	Working Expenses—Operating Staff	340,37,34,000	47,77,000	340,85,11,000
7	Working Expenses—Operation (Fuel)	334,28,02,000	43,88,000	334,71,90,000
8	Working Expenses—Operation other than Staff and Fuel	111,11,28,000	2,28,53,000	113,39,81,000
9	Working Expenses—Miscellaneous Expenses	58,75,68,000	13,72,000	58,89,40,000
10	Working Expenses—Staff Welfare .	57,31,59,000	1,37,000	57,32,96,000
11	Working Expenses—Appropriation to Depreciation Reserve Fund .	140,00,00,000	.	140,00,00,000
11-A	Working Expenses—Appropriation to Pension Fund	40,00,00,000	.	40,00,00,000
12	Dividend to General Revenues and Contribution for Grants to States in lieu of Passenger Fare Tax .	225,32,34,000	.	225,32,34,000
13	Open Line Works (Revenue) . . .	8,99,85,000	60,000	9,00,45,000
14	Construction of New Lines—Capital and Depreciation Reserve Fund .	51,82,32,000	15,00,000	51,97,32,000
15	Open Line Works—Capital De- preciation Reserve Fund and Devel- opment Fund	1239,87,73,000	50,00,000	1240,37,73,000
16	Pensionary Charges—Pension Fund.	38,40,96,000	.	38,40,96,000
17	Repayment of Loans from General Revenues and Interest thereon— Development Fund	8,38,96,000	.	8,38,96,000
18	Appropriation to Development Fund	26,65,66,000	.	26,65,66,000

1	2	3		
No. of Vote	Services and purposes	Sums not exceeding		
		Voted by Parliament	Charged on the Consoli- dated Fund	Total
		Rs.	Rs.	Rs.
19	Appropriation to Revenue Reserve Fund	5,84,02,000	.	5,84,02,000
20	Payments towards Amortisation of over-capitalisation, Repayment of Loans from General Revenues and Interest thereon—Revenue Reserve Fund	180,55,28,000	..	180,55,28,000
21	Appropriation to Accident Compensation, Safety and Passenger Amenities Funds	9,22,84,000		9,22,84,000
22	Accident Compensation, Safety and Passenger Amenities Fund	5,67,00,000	53,50,000	6,20,50,000
TOTAL		37,24,04,48,000	4,75,22,000	37,28,79,70,000

STATEMENT OF OBJECTS AND REASONS

This Bill is introduced in pursuance of article 114(1) of the Constitution of India, read with article 116 thereof, to provide for the appropriation out of the Consolidated Fund of India of the moneys required to meet the expenditure charged on the Consolidated Fund of India and the grants made in advance by the Lok Sabha in respect of the estimated expenditure of the Central Government on Railways for the financial year 1977-78

MADHU DANDAVATE.

RECOMMENDATION OF THE VICE-PRESIDENT ACTING AS
PRESIDENT UNDER ARTICLE 117 OF THE
CONSTITUTION OF INDIA

[Copy of letter No 77-B-401 dated the 11th June, 1977 from Prof. Madhu Dandavate, Minister of Railways to the Secretary-General, Lok Sabha.]

The Vice-President acting as President, having been informed of the subject matter of the proposed Appropriation Bill providing for the withdrawal from and out of the Consolidated Fund of India of the moneys required to meet the expenditure charged on the Fund and the grants made by the Lok Sabha for the financial year, 1977-78, recommends under clauses (1) and (3) of article 117 of the Constitution of India the introduction in and consideration by Lok Sabha of the Appropriation Bill

S. L. SHAKDHER,
Secretary-General.

